92-2276

A	AG SERVICES OF AMERICA INC	10Q	05-31-92
B	AMERICAN BIODYNAMICS INC	10Q	02-29-92
C	AMERIHOST PROPERTIES INC	10Q	06-30-92
D	GMIS INC	10Q	03-31-92
E	CLINICORP INC	10Q	02-29-92
F	COLUMBUS ENERGY CORP	10Q	02-29-92
G	CRYENCO SCIENCES INC	10Q	02-28-92
H	EA ENGINEERING SCIENCE AND TECHNOLOGY	10Q	02-28-92
I	FAMILY HEALTH SYSTEMS INC	10Q	02-29-92
J	GOLDEN QUAIL RESOURCES LTD	10Q	02-29-92
K	INTERNATIONAL ELECTRONICS INC	10Q	05-31-92
L	IONIX INC	10Q	02-29-92
M	LEGEND FOODS INC	10Q	01-31-92
N	LESCARDEN INC	10Q	02-29-92
O	MICRO BIO-MEDICS INC	10Q	02-29-92
P	PUROFLOW INC	10Q	04-30-92
Q	RADON TESTING CORP OF AMERICA	10Q	02-29-92
R	RIDGEWOOD PROPERTIES INC	10Q	02-28-92
S	TSS LTD	10Q	02-29-92
T	VISITEL NETWORK INC	10Q	03-31-92

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UNITED STATES

SECURITES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

BEST COPY AVAILABLE

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended May 31, 1992

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____________ to ____________

Commission File Number: 000-19320

Ag Services of America, Inc.
(Exact name of registrant as specified in its charter)

Iowa (State or other jurisdiction of incorporation or organization)	42-1264455 (I.R.S. Employer Identification No.)
2302 West First Street, Cedar Falls, Iowa (Address of principal executive offices)	50613 (Zip Code)

(319)277-0261
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] Yes [ ] No

1,678,000 common shares were outstanding as of June 10, 1992.

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AG SERVICES OF AMERICA, INC.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

AG SERVICES OF AMERICA, INC.

CONDENSED BALANCE SHEETS

ASSETS	May 31, 1992 (Unaudited)	February 29, 1992 *
CURRENT ASSETS		
Cash	$12,177	$702,507
Customer notes receivable, less allowance for doubtful notes and reserve for discounts May 31, 1992 $2,092,000; February 29, 1992 $625,000	32,287,905	9,982,468
Accounts receivable	180,906	51,732
Inventories	338,372	1,098,228
Deferred income tax charges, net	200,000	133,000
Other current assets	37,905	71,920
Total current assets	$33,057,265	$12,039,855
LONG-TERM RECEIVABLES AND OTHER ASSETS		
Customer notes receivable, less allowance for doubtful notes May 31, 1992 $486,000; February 29, 1992 $430,000	$1,822,355	$1,549,324
Deferred income tax charges, net	175,000	151,000
	$1,997,355	$1,700,324
EQUIPMENT, less accumulated depreciation May 31, 1992 $166,451; February 29, 1992 $166,339	$249,456	$231,158
	$35,304,076	$13,971,337
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Note payable	$16,500,000	$3,500,000
Excess of outstanding checks over bank balance	1,858,963	--
Accounts payable	5,598,655	379,036
Accrued expenses	72,777	153,004
Income taxes payable	579,000	99,878
Total current liabilities	$24,609,395	$4,131,918
STOCKHOLDERS' EQUITY		
Capital stock	$7,275,603	$7,275,603
Retained earnings	3,419,078	2,563,816
	$10,694,681	$9,839,419
	$35,304,076	$13,971,337

*Condensed from Audited Financial Statements.

See Notes to Condensed Financial Statements.

AG SERVICES OF AMERICA, INC.

UNAUDITED CONDENSED STATEMENTS OF INCOME
Three Months Ended May 31, 1992 and 1991

	1992	1991
Net revenues:		
Farm inputs	$24,717,206	$15,585,932
Financing income	520,680	416,922
	$25,237,886	$16,002,854
Cost of revenues:		
Farm inputs	$22,749,674	$14,391,636
Financing expense	156,657	134,643
Provision for doubtful notes	346,443	217,600
	$23,252,774	$14,743,879
Income before operating expenses and income taxes	$1,985,112	$1,258,975
Operating expenses	638,328	490,899
Income before income taxes	$1,346,784	$768,076
Federal and state income taxes	491,522	277,905
Net income	$855,262	$490,171
Earnings per common and common equivalent share		
Primary	$0.49	$0.49
Fully diluted	$0.48	$0.49
Weighted average common and common equivalent shares outstanding		
Primary	1,744,496	1,000,000
Fully diluted	1,764,191	1,000,000

See Notes to Condensed Financial Statements.

AG SERVICES OF AMERICA, INC.

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
Three Months Ended May 31, 1992 and 1991

	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$855,262	$490,171
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	18,767	13,470
Deferred income taxes	(91,000)	(75,000)
(Gain) on sale of equipment	(371)	– –
Change in assets and liabilities	(16,295,257)	(10,914,298)
Net cash (used in) operating activities	($15,512,599)	($10,485,657)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of equipment	$400	$– –
Purchase of equipment	(37,094)	(7,179)
Net cash (used in) investing activities	($36,694)	($7,179)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short–term borrowings	$13,325,000	$9,235,000
Principal payments on short–term borrowings	(325,000)	– –
Increase in excess of outstanding checks over bank balance	1,858,963	1,063,417
Payments of deferred stock issuance costs	– –	(101,589)
Net cash provided by financing activities	$14,858,963	$10,196,828
(Decrease) in cash	($690,330)	($296,008)
CASH		
Beginning	702,507	306,336
Ending	$12,177	$10,328
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	$148,495	$134,272
Income taxes	$103,400	$216,176
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Accounts payable recorded for deferred stock issuance costs	$– –	$69,220

See Notes to Condensed Financial Statements.

AG SERVICES OF AMERICA, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY
Quarter Ended May 31, 1992
(Unaudited)

	Capital Stock			
	Shares Issued	Amount	Retained Earnings	Total
Balance, February 29, 1992	1,678,000	$7,275,603	$2,563,816	$9,839,419
Net income	– –	– –	855,262	855,262
Balance, May 31, 1992	1,678,000	$7,275,603	$3,419,078	$10,694,681

See Notes to Condensed Financial Statements.

AG SERVICES OF AMERICA, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10–Q and Rule 10–01 of Regulation S–X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested these interim condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report for the year ended February 29, 1992. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented have been made. Operating results for the three month period ended May 31, 1992 are not necessarily indicative of the results that may be expected for the year ending February 28, 1993.

Note 2. Commitments and Contingencies

Commitments:

In the normal course of business, the Company makes various commitments which are not reflected in the accompanying condensed financial statements. These include various commitments to extend credit to customers. At May 31, 1992 and February 29, 1992 the Company had approximately $18,403,000 and $9,779,000, respectively, in commitments to supply farm inputs. No material losses or liquidity demands are anticipated as a result of these commitments.

Contingencies:

The Company is named in lawsuits in the ordinary course of business. Counsel for the Company have advised the Company, while the outcome of various legal proceedings is not certain, it is unlikely that these proceedings will result in any recovery which will materially affect the financial position or operating results of the Company.

The availability of lines of credit to finance operations and the existence of a multi–peril crop insurance program are essential to the Company's operations. If the federal multi–peril crop insurance program currently in existence were terminated or negatively modified and no comparable private or government program were established, this could have a material adverse effect on the Company's future operations. The government has from time to time evaluated the federal multi–peril insurance program and is likely to review the program in the future, and there can be no assurance of the outcome of such evaluations.

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

Note 3. Earnings per Common and Common Equivalent Share

Earnings per common and common equivalent share was computed by dividing net income by the weighted average number of common and common equivalent shares outstanding during each respective period.

AG SERVICES OF AMERICA, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth percentages of net revenues represented by the selected items in the unaudited condensed statements of income of the Company for the three months ended May 31, 1992 and 1991. In the opinion of management, all normal and recurring adjustments necessary for a fair statement of the results for such periods have been included. The operating results for any period are not necessarily indicative of results for any future period.

	Percentage of Net Revenues Three Months Ended May 31,	
	1992	1991
Net Revenues:		
Farm inputs	97.9%	97.4%
Financing income	2.1%	2.6%
	100.0%	100.0%
Cost of revenues:		
Farm inputs	90.1%	89.9%
Financing expense	0.6%	0.8%
Provision for doubtful notes	1.4%	1.4%
	92.1%	92.1%
Income before operating expenses and income taxes	7.9%	7.9%
Operating expenses	2.6%	3.1%
Income before income taxes	5.3%	4.8%
Federal and state income taxes	1.9%	1.7%
Net income	3.4%	3.1%

Net Revenues:

Net revenues increased $9.2 million or 57.7% during the three months ended May 31, 1992, compared with the three months ended May 31, 1991. Financing income as a percentage of net revenues declined from 2.6% of net revenues for the three months ended May 31, 1991 to 2.1% of net revenues for the three months ended May 31, 1992. This small decline in financing income as a percentage of net revenues is a result of the more favorable interest rates the Company is offering its customers in fiscal 1993. However, the Company was able to maintain its margin on financing as a result of the decrease in financing expense as discussed below.

Cost of Revenues:

The total cost of revenues remained constant at 92.1% of net revenues for the three months ended May 31, 1992 and 1991. The gross margin on farm inputs, alone, increased slightly from from 7.7% for the three months ended May 31, 1991 to 8.0% for the three months ended May 31, 1992 primarily as a result of the decline in net revenues from cash rents, fuel, irrigation and custom application fees, as a percentage of net revenues. The Company offers these farm inputs at a lower margin. Financing expense decreased from 0.8% of net revenues for the three months ended May 31, 1991 to 0.6% of net revenues for the three months ended May 31, 1992 primarily because of the approximately $4.7 million in net proceeds from the sale of 678,000 shares of newly issued common stock as a result of the Company's initial public offering completed in August 1991 and through the reduction of the interest rate on the Company's bank line of credit from an average of 9.08% for the three months ended May 31, 1991 to an average of 6.75% for the three months ended May 31, 1992. However, the decrease in financing expense did not have a significant impact on income before operating expenses and income taxes because the company passed the reduction in interest rates on to its customers as discussed in "Net Revenues" above.

Operating Expenses:

Operating expenses declined from 3.1% of net revenues for the three months ended May 31, 1991 to 2.6% of net revenues for the three months ended May 31, 1992. This decline is a result of the Company's operating expenses increasing at a lower rate (30.0%) than net revenues (57.7%). The increase in operating expenses is primarily due to the increase in payroll from $234,640 for the three months ended May 31, 1991 to $324,073 for the three months ended May 31, 1992. The increase is a result of the Company adding employees after May 31, 1991.

Net Income:

Net income increased 74.5% from $490,171 for the three months ended May 31, 1991 to $855,262 for the three months ended May 31, 1992. The increase is attributable to the increase in net in net revenues and the decline in operating expenses as a percentage of net revenues.

Liquidity and Capital Resources:

At May 31, 1992, the Company had working capital of $8,447,000 an increase of $4,791,000 over a year ago and $539,000 since February 29, 1992. The components of this net increase, since February 29, 1992, were (i)$576,000 resulting from operating activities, consisting of approximately $855,000 in net income, $19,000 in depreciation, and the remainder from a net change in other working capital items, and (ii) capital expenditures of approximately $37,000 related to the acquisition of equipment and furniture.

In February 1992, the Company's line of credit agreement was amended and increased from $20,000,000 to $29,000,000 and extended to February 28, 1994. In March 1992, the Company received a commitment for an additional $5,000,000 increase in the line of credit to a total of $34,000,000. The Company's bank line of credit can be drawn upon based on a percentage of customer notes receivable up to the $34 million maximum amount of the line of credit. At May 31, 1992, the Company had a maximum amount available on its line of credit of approximately $4.8 million based on a percentage of customer notes receivable. The Company's loan ageement for its line of credit contains numerous restrictive covenants, including amoung others: prohibition on the payment of dividends until the credit line has been fully paid, mergers, issuance of stock and loans to shareholders; requirements for the maintenance of certain financial ratios and total stockholders' equity.

Management believes that the financial resources available to it, including its bank line of credit, trade credit and internally generated funds, will be sufficient to finance the Company and its operations in the foreseeable future. The Company currently has no significant capital commitments.

AG SERVICES OF AMERICA, INC.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(11) Statement re computation of earnings per common share is attached.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the period covered by this report.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AG SERVICES OF AMERICA, INC.
(Registrant)

Gaylen D. Miller
President and Chief Executive Officer
(Principal Financial and Accounting Officer)

Date: July 10, 1992

AG SERVICES OF AMERICA, INC.

EXHIBIT 11 – COMPUTATION OF EARNINGS PER COMMON SHARE

	Three Months Ended May 31,	
	1992	1991
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE:		
Primary:		
Weighted average common and common equivalent shares:		
Weighted average common shares outstanding	1,678,000	1,000,000
Weighted average common equivalent shares computed using the treasury stock method:		
Warrants	15,924	– –
Options (1)	50,572	– –
	1,744,496	1,000,000
Net income	$855,262	$490,171
Earnings per common and common equivalent share	$0.49	$0.49
Fully diluted:		
Weighted average common and common equivalent shares:		
Weighted average common shares outstanding	1,678,000	1,000,000
Weighted average common equivalent shares computed using the treasury stock method:		
Warrants	25,981	– –
Options	60,210	– –
	1,764,191	1,000,000
Net income	$855,262	$490,171
Earnings per common and common equivalent share	$0.48	$0.49

(1) Some of the stock options have not been included because they are antidilutive.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

(Mark one)

_X_ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the period ended February 29, 1992

or

______ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to ________.

Commission File Number: 0-16128

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AMERICAN BIODYNAMICS INC.
(Exact name of registrant as specified in its charter)

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Q-Data Corp. - St. Petersburg, FL

British Columbia, Canada
(State or other Jurisdiction
of Incorporation or Organization)
10500 University Center Drive, Suite 130
Tampa, Florida
(Address of Principal Executive Offices)

(I.R.S. Employer
Identification No.)
33612
(Zip Code)

Registrant's telephone number, including area code: (813) 979-0016

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

As of March 20, 1992, there were outstanding 6,966,219 shares of Common Stock, without par value.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN BIODYNAMICS INC. AND SUBSIDIARY
BALANCE SHEET

	February 29, 1992 (unaudited)	November 30, 1991 (audited)
ASSETS		
Current Assets		
Cash and equivalents	$688,763	$191,701
Accounts receivable	470,343	579,779
Inventories	290,694	376,456
Other current assets	45,633	21,545
	1,495,433	1,169,481
Fixed Assets		
Office furniture & equipment	157,574	141,003
Leasehold improvements	23,877	23,877
Less accumulated depreciation	(121,313)	(109,932)
	60,138	54,948
Other assets		
Investment in joint venture	146,937	157,816
Non compete Agreement, less accumulated amortization	339,812	---
Other assets	44,298	16,800
	531,047	174,616
TOTAL ASSETS	$2,086,618	$1,399,045
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	430,053	609,919
Obligation under non compete, c/p	76,875	---
	506,928	609,919
Other liabilities		
Obligation under non-compete- n/c	264,813	---
Restricted stock	---	44,871
Shareholders' Equity		
Common stock	5,267,592	4,810,095
Less Treasury stock, 1,050 shares at cost	(432)	(432)
Additional contributed capital	696,049	696,049
Foreign currency translation gains	11,778	17,203
Retained earnings	(4,660,110)	(4,778,660)
	1,314,877	744,255
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$2,086,618	$1,399,045

See accompanying notes to consolidated financial statements.

AMERICAN BIODYNAMICS INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	February 29, 1992	February 28, 1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$118,550	($9,792)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	19,165	7,862
Amorization of debt cost and stock premium	---	8,550
Equity in loss of joint venture	29,160	20,235
Stock issue for services	---	5,833
Changes in assets and liabilities:		
Accounts receivable	109,436	5,896
Inventories	85,762	(39,483)
Prepaid expenses and other current assets	(24,088)	(22,895)
Accounts payable and accrued expenses	(179,866)	25,157
Foreign currency translation adjustments	(5,425)	483
Net cash provided by operating activities	152,694	1,846
Cash flows from investing activities		
Purchases of plant, property and equipment	(16,571)	(6,516)
Additions to intangible assets	(20,028)	---
Contributions to joint venture	(17,848)	(15,348)
Net cash used in investing activities	(54,447)	(21,864)
Cash flows from financing activities		
Repayment of debt	(12,810)	(26,626)
Proceeds from stock option exercise	130,625	---
Issuance of stock in private placement	281,000	---
Net cash provided by financing activities	398,815	(26,626)
Net increase in cash and cash equivalents	497,062	(46,644)
Cash and Cash Equivalents at beginning of period	191,701	119,297
Cash and Cash Equivalents end of period	$688,763	$72,653
Supplemental cash flow disclosures – interest paid	---	$202
Supplemental schedule of noncash investing and financing activities:		
Obligation under Non–compete Agreement	$354,500	---

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations.

The Company recorded net income of $118,550 ($.02 per common share) in the first three months of fiscal 1992, compared to a net loss of 9,792 ($.002 per share) in the first three months of 1991.

Operating results for the three months ended February 29, 1992

Tissue sales for the three months ended February 29, 1992 were $1,107,721, increased 65%, as compared to sales of $673,306 for the same period in the previous fiscal year. Increased revenues can be attributed in part to new bone graft products which were introduced in the second quarter of 1991, representing approximately 30%, or $327,049, of total revenues. Sales of dura mater, which is 95.3% of the soft tissue, increased 16% over the prior comparative period. The slight increase in gross margins, from 42% in 1991 to 49% in 1992, can be directly attributed to the fluctuation in currency exchange, as the dollar was slightly stronger against the Deutche Mark.

Operating expenses for the first three months of 1992 were increased 36%, from $274,668 in 1991 to $373,400 in 1992. However, expense as a percent of revenue for the three months was 25%, as compared to 33% for the comparable prior year three month period. Slightly higher spending levels can be attributed to an increase in support staff, additional clinical studies for new product evaluation, printing and other costs related to new product literature, and increased market activity related to the introduction of new products.

Capital Expenditures and Liquidity

Through the first three months of 1992, operating activities provided cash of $152,694, with cash and cash equivalents at the end of the period increased by $497,062. $16,571 was used in equipment purchases, with cash payments to the joint venture of $17,848 and $12,810 used to reduce debt. The comparable period in 1990 experienced a decrease in cash and cash equivalents of $46,644 with operating activities providing cash of $1,846, and cash of $48,490 used in debt reduction, purchases of equipment and contributions to the joint venture.

In December 1991 and January 1992, employees exercised stock options for 177,500 shares of Common Stock granted under the Company's Incentive Stock Option plan, with proceeds to the Company totalling $130,625.

During February 1992, the Company completed a private placement of 160,000 shares of restricted common stock and 80,000 stock purchase warrants for a total of $300,000. The warrants expire on Jaunary 25, 1995, with an escalating exercise price which ranges from $2.75 to $3.75 per share The Company reserved a first right of refusal for 12 months on any proposed share sale. The shares carry piggyback registration rights after one year. If the warrants are exercised, the underlying shares carry piggyback registration rights. The warrants may be called by the Company at an exercise price of $2.75 per warrant if the trading value of the Company's common stock is $5.50 for 30 consecutive trading days.

On January 8, 1992, the Company reached a settlement of all outstanding litigation matters with Weldon S. Guest. Under the terms of the final settlement, Guest relinquished fully his claims regarding royalties purportedly due him under a royalty agreement and monies under a terminated employment agreement. Concurrently, Guest and the Company entered into a noncompete agreement prohibiting Guest from competing with the Company in the allograft tissue market for the length of the payment period. Further, he will not participate in the marketing or selling of any autotransfusion device for a period of one year. Additionally, Guest agreed to a standstill agreement prohibiting interference with the operations of the Company or its management for the payment period. In return for these agreements, the Company will pay Guest $354,500 over a four year period. The Company has the option to prepay in three years, and benefit from a $47,000 reduction of its obligation. A total of $45,000 was paid at the closing against the total amounts owed, and was expensed. The amount of the asset with the corresponding liability has been recorded as a Non-Compete Agreement, and is being amortized over the life of the Agreement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 20, 1992

American Biodynamics Inc.

President,
Chief Executive Officer

Controller

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FORM 10-Q

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 2-90939C

AMERIHOST PROPERTIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	36-3312434
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2400 E. Devon Avenue, Suite 280, Des Plaines, IL 60018
(Address of principal executive offices)
(Zip Code)

(708) 298-4500
(Registrant's telephone number, including area code

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

As of July 20, 1992, there were 2,144,726 shares outstanding of the registrant's common stock.

AMERIHOST PROPERTIES, INC.

FORM 10-Q

FOR THE SIX MONTHS ENDED JUNE 30, 1992

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Part I: Financial Information

Item 1. Financial Statements

AMERIHOST PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS

	June 30, 1992	December 31, 1991
Current assets:		
Cash	$ 274,644	$ 341,495
Accounts receivable (including $1,598,552 and $1,228,334 from related parties)	2,785,653	1,440,113
Notes receivable related parties	818,705	345,324
Prepaid expenses and other current assets	158,860	28,108
Costs and estimated earnings in excess of billings on uncompleted contracts	458,458	397,000
Total current assets	4,496,320	2,552,040
Investments	1,318,896	945,133
Property and equipment:		
Land	107,500	107,500
Building	1,012,987	1,004,914
Furniture, fixtures and equipment	708,847	615,599
Leasehold improvements	58,647	34,430
	1,887,981	1,762,443
Less accumulated depreciation and amortization	556,076	491,535
	1,331,905	1,270,908
Long-term notes receivable (including $10,000 and $20,000 from related parties)	1,260,000	520,000
Cost in excess of net assets of subsidiary, net of accumlated amortization of $6,474 at June 30, 1992, and $ 5,754 at December 31, 1991	38,841	39,561
Organization costs, net of accumulated amortization of $13,913 at June 30, 1992, and $11,825 at December 31, 1991	15,277	3,874
Franchise fee and other assets, net of accumulated amortization of $201,475 at June 30, 1992 and $86,623 at December 31, 1991	1,443,703	766,816
	2,757,821	1,330,251
	$ 9,904,942	$ 6,098,332

(continued)

AMERIHOST PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)
(Unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 1992	December 31, 1991
Current liabilities:		
Notes payable, bank	$ 1,150,000	$ 900,000
Notes payable, related parties	625,000	
Notes payable, other	375,000	
Current portion of long-term debt	39,084	40,978
Accounts payable	1,564,636	529,712
Accrued expenses and other current liabilities	423,708	142,975
Total current liabilities	4,177,428	1,613,665
Long-term debt, net of current portion	2,164,305	2,182,280
Deferred income	693,714	552,290
Commitments		
Minority interests	38,718	42,160
Shareholders' equity		
Preferred stock, no par value; authorized 100,000 shares; none issued		
Common stock, $.005 par value; authorized 15,000,000 shares; issued 2,144,726 shares at June 30, 1992 and 1,726,798 at December 31, 1991	10,724	8,633
Additional paid-in capital	3,266,961	2,392,121
Deficit	(446,188)	(692,097)
	2,831,497	1,708,657
Less stock subscriptions receivable	720	720
	2,830,777	1,707,937
	$ 9,904,942	$ 6,098,332

See notes to consolidated financial statements.

AMERIHOST PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three months ended June 30, 1992	Three months ended June 30, 1991	Six months ended June 30, 1992	Six months ended June 30, 1991
Revenue:				
Sales	$ 7,243,099	$ 1,427,065	$ 11,718,521	$ 3,620,106
Interest income	43,580	9,816	79,370	30,438
	7,286,679	1,436,881	11,797,891	3,650,544
Expenses:				
Cost of sales	5,019,668	811,488	7,994,657	2,405,821
General and administrative	1,703,463	536,329	3,180,837	1,005,235
Depreciation and amortization	96,103	39,420	182,202	78,148
Interest expense	92,140	66,008	173,433	128,878
	6,911,375	1,453,245	11,531,129	3,618,082
Income (loss) before minority interests and equity in net loss of affiliates	375,304	(16,364)	266,762	32,462
Minority interests in net (income) loss of subsidiary	(8,756)	(13,919)	3,442	1,828
Equity in net income (loss) of affiliates	45,690	47,632	(24,295)	18,157
Income before taxes on income and extraordinary item	412,238	17,349	245,909	52,447
Taxes on income	164,800		98,350	
Income before extraordinary item	247,438	17,349	147,559	52,447
Extraordinary item (utilization of net operating loss carryforward)	164,800		98,350	
Net income	$ 412,238	$ 17,349	$ 245,909	$ 52,447
Earnings per share:				
Primary	$ 0.14	$ 0.01	$ 0.09	$ 0.03
Fully diluted	$ 0.14		$ 0.08	

See notes to consolidated financial statements.

AMERIHOST PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1992
(Unaudited)

	1992	1991
Cash flows from operating activities:		
Cash received from customers	$ 10,445,031	$ 3,130,751
Cash paid to suppliers and employees	(10,140,915)	(3,782,637)
Interest received	102,636	30,438
Interest paid	(176,789)	(128,878)
Net cash provided from (used in) operating activities	229,963	(750,326)
Cash flows from investing activities:		
Distributions from affiliates	18,651	27,915
Purchase of equipment	(125,538)	(81,653)
Purchase of investments	(421,435)	(48,583)
Increase in notes receivables	(1,225,040)	
Collections on notes receivables	11,659	
Net cash used in investing activities	(1,741,703)	(102,321)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt		412,500
Proceeds from issuance of notes payable	1,000,000	
Proceeds from line of credit	250,000	
Increase in deferred offering costs	(69,617)	(97,538)
Principal payments of long-term debt	(19,869)	(52,655)
Proceeds from issuance of common stock	284,375	
Repayment of line of credit		(475,000)
Net cash provided from (used in) financing activities	1,444,889	(212,693)
Net decrease in cash	(66,851)	(1,065,340)
Cash, beginning of period	341,495	1,313,610
Cash, end of period	$ 274,644	$ 248,270

(continued)

AMERIHOST PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30,
(Unaudited)

	1992	1991
Reconciliation of net income to net cash provided from (used in) operating activities:		
Net income	$ 245,909	$ 52,447
Adjustments to reconcile net income to net cash provided from (used in) operating activities:		
Depreciation and amortization	182,202	78,148
Equity in net loss of affiliates before amortization of deferred income	39,646	35,924
Minority interests in net loss of subsidiary	(3,442)	(1,828)
Amortization of deferred income	(15,351)	(54,081)
Amortization of deferred interest	(5,358)	
Compensation paid through issuance of common stock	105,971	79,175
Changes in assets and liabilities:		
Increase in accounts receivable	(1,329,165)	(307,213)
Increase in interest receivable	(16,376)	
Increase in prepaid expenses and other current assets	(130,752)	(115,766)
Decrease (increase) in costs and estimated earnings in excess of billings	(61,458)	(244,229)
Decrease (increase) in other assets	(259,653)	170
Increase in accounts payable	1,038,280	(349,021)
Increase in accrued expenses and other current liabilities	280,733	13,861
Decrease in accrued interest	(3,356)	
Increase in deferred interest	45,000	
Increase in deferred income	117,133	62,087
Net cash provided from (used in) operating activities	$ 229,963	$ (750,326)

Supplemental schedule of noncash investing and financing activities:

Purchase of investments and other assets through issuance of common stock	$ 486,585	

See notes to consolidated financial statements.

AMERIHOST PROPERTIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 1992 AND 1991

1. **Organization and summary of significant accounting policies:**

Basis of preparation:

The financial statements included herein have been prepared by the Company, without audit. In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments, which consist only of recurring adjustments necessary to present fairly the financial position of Amerihost Properties, Inc. and subsidiaries as of June 30, 1992 and December 31, 1991 and the results of its operations for the six-month periods ended June 30, 1992 and 1991, and statements of cash flows for the six months ended June 30, 1992 and 1991. The results of operations for the six months ended June 30, 1992 and 1991, are not necessarily indicative of the results to be expected for the full year. It is suggested that the accompanying financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's 1991 Annual Report on Form 10-K.

Principles of consolidation:

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, Amerihost Lodging Group, Inc., Amerihost Development, Inc., Amerihost Management, Inc., Amerihost Renovations, Inc., Amerihost Staffing, Inc., API of Indiana, Inc., AP Equities of Ohio, Inc., Shorewood Investors, Inc., Schiller Park Investors, Inc., Hammond Investors, Inc., Niles Illinois Hotel Corporation, AP Equities of Arkansas, Inc., AP Properties of Ohio, Inc., Shorewood Hotel Investments, Inc., AP Equities of Indiana, Inc. AP Lodging of Ohio, Inc., and a 45.7 percent owned partnership, Sullivan Motel Associates, Ltd. Significant intercompany accounts and transactions have been eliminated.

Construction accounting:

Development fee revenue from construction/renovation projects is recognized over the period beginning with the execution of contracts and ending with the commencement of construction/ renovation.

AMERIHOST PROPERTIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 1992 AND 1991

1. **Organization and summary of significant accounting policies: (continued)**

Construction accounting: (continued)

Construction fee revenue from construction/renovation projects, including the Company's share of joint venture projects, is recognized on the percentage-of-completion method, generally based on the ratio of costs incurred to estimated total contract costs. Revenue from contract change orders is recognized to the extent costs incurred are recoverable. Profit recognition begins when construction reaches a progress level sufficient to estimate the probable outcome. Provision is made for anticipated future losses in full, at the time they are identified.

Revisions of estimates of profits or losses are recognized in the periods when facts supporting this reestimation becomes known. Revenue from claims for additional compensation is recorded when settled.

Investments:

Investments in affiliates are accounted for using the equity method, under which method the original investment is increased (decreased) by the Company's share of affiliates' earnings (losses), and is reduced by dividends or distributions when received. Other investments are recorded at cost.

Property and equipment:

Property and equipment are stated at cost. Depreciation is being provided for assets placed in service by use of the straight-line and accelerated methods over their estimated useful lives. Leasehold improvements are being amortized by use of the straight-line method over the term of the lease.

For each classification of property and equipment, depreciable periods are as follows:

AMERIHOST PROPERTIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 1992 AND 1991

1. **Organization and summary of significant accounting policies:** (continued)

Property and equipment: (continued)

Building	31.5 years
Furniture, fixture and equipment	5-7 years
Leasehold improvements	3 years

Cost in excess of net assets of subsidiary:

Cost in excess of net assets of Sullivan Motel Associates, Ltd. is amortized on a straight-line basis over a period of 31.5 years.

Organization costs:

Organization costs are being amortized by use of the straight-line method over a period of five years.

Franchise fee:

Sullivan Motel Associates, Ltd., paid an initial franchise fee to Days Inn of America for its franchise in Sullivan, Indiana. This franchise fee is being amortized by use of the straight-line method over the franchise term of 20 years.

Reclassifications:

Certain reclassifications have been made to the previously reported 1991 statements in order to provide comparability with the 1992 statements. These reclassifications have not changed the 1991 results.

2. **Convertible Debentures:**

During 1990, the Company engaged Hamilton Investments, Inc. ("Hamilton") of Chicago, Illinois to be the Company's corporate financial advisor. Pursuant to an Offering Memorandum dated November 1, 1990, the Company through Hamilton offered in a private placement 1,500 units (subject to increase to 2,000 units) each unit consisting of a $1,000

2. **Convertible Debentures:** (continued)

principal amount 12% convertible subordinated note due April 30, 1994, and 125 redeemable common stock purchase warrants at a price of $1,000 per unit. The minimum subscription was 25 units, however, the Company had the right to accept subscriptions for less than 25 units.

The notes are unsecured, and are subordinated in right of payment to all senior indebtedness of the Company, which includes virtually all of the Company's debt. Unless earlier redeemed by the Company, the notes are convertible into shares of common stock of the Company at a conversion rate of 250 shares of common stock for each $1,000 principal amount Note (equivalent to a conversion price of $4.00 per share), subject to certain adjustments. The noteholders' right to conversion shall commence at the earlier of either (i) one year from the date of issuance, or (ii) immediately prior to the filing date of a registration statement filed by the Company with the SEC for a secondary equity offering. Under certain conditions, the Notes are redeemable at the option of the Company, commencing after the dates indicated at a redemption price equal to:

Redemption Date	Redemption Price*
After April 30, 1992	104%
After April 30, 1993	102%

* of the principal amount, plus accrued interest through redemption date.

Each unit contains a common stock purchase warrant representing the right to purchase 125 shares of the Company's Common Stock at an exercise price of $4.00 per share for a period of five years from the date of issuance of the warrants. The warrants are redeemable, at the option of the Company upon 30 days written notice during their exercise period, for a redemption price of $0.50 per warrant. The holders of the warrants have the right to exercise their warrants during such 30 day period.

Through the final closing in March, 1991, the Company realized $1,069,500 in net proceeds ($1,162,500 gross proceeds less an

2. **Convertible Debentures:** (continued)

8% commission) from the sale of 1,162.5 units, and issued purchase warrants for a total of 145,324 shares of common stock.

3. **Earnings per share:**

1991:

Computations of earnings per share are based upon the weighted average number of common shares outstanding during each period (1,667,551 and 1,654,982 for the three months and six months ended June 30, 1991, respectively).

1992:

Primary earnings per share were computed by dividing adjusted net income by the weighted average number of shares of common stock and common stock equivalents outstanding each period (2,940,489 and 2,765,068 for the three months and six months ended June 30, 1992, respectively).

Fully diluted earnings per share were computed as above and assume exercise of all outstanding warrants and options (3,010,506 and 2,834,451 for the three months and six months ended June 30, 1992, respectively).

Adjusted net income has been computed by adding to net income the interest expense on the 12% convertible notes ($34,875 and $69,750 for the three months and six months ended June 30, 1992, respectively).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations:

A. Overview

The second quarter of 1992 resulted in record revenues of $7,286,679 and record net income of $412,238. This represents the highest quarterly revenue and net income performance in the Company's history. The significant increase in revenues and the net income can be attributed to two major events which occurred during the first quarter of 1992. These two events will dramatically increase the Company's revenues beginning in 1992, and will cause the Company's net income/loss to be much more seasonal than in the past.

The first event was the establishment of an employee leasing subsidiary, which began operations in January, 1992. This wholly-owned subsidiary currently employs approximately 1,950 employees, which it leases to the hotels managed by the Company. As a result, the Company's cost of sales includes the gross payroll and related payroll tax and other benefit costs associated with these employees. The Company's revenues include an amount equal to the cost of sales, plus a percentage of these costs for administration.

The second event was the negotiation of leases for five hotels owned by partnerships in which the Company has an interest. Prior to 1992, the Company managed the hotels for the partnerships. Beginning in 1992, the Company is leasing the hotels from the partnerships. As a result, the Company's revenues and expenses include 100% of the activity from these hotels instead of including only the Company's share of its equity in the net income or loss of the partnerships. This change will dramatically increase the Company's revenues and expenses from its hotel operations segment. In addition, since hotel operations are seasonal, it is anticipated that during the first and fourth quarters of each year, the hotel operations segment will experience losses or reduced net income. This segment contributed approximately $135,000 to the Company's second quarter income.

The Company has continued its development, construction and renovation activities during the second quarter. Contributing to the second quarter construction/development revenues and income were three new construction projects, all of which are expected to open in August, 1992. These projects are expected to generate approximately $4,200,000 in

A. **Overview** (continued)

revenues over the life of the projects. The first, a 61 room motel in Lancaster, Ohio, began construction in March, 1992. This property is an interior corridor motel with an indoor pool, similar to those the Company has constructed in Athens, Marysville and Oxford, Ohio, and will be the second motel to carry the Amerihost Inn name. The Company owns a 10% general and a 10% limited partnership interest in the entity which owns the motel. Upon completion, the Company will co-manage this property with its joint venture partner, SJB Equities, Inc. ("SJB"). This project represents the sixth undertaken with SJB.

The second project is a 62 room exterior corridor Days Inn motel in Ashland, Ohio. This project is being undertaken through a joint venture with Puissant Group, Inc., the Company's partner in the Days Inn Sullivan, Indiana. The Company has no ownership interest in the property and will manage the motel once it is opened.

The third project is a 61 room motel in Plainfield, Indiana, which began construction in April, 1992. This property is an interior corridor motel with an indoor pool, similar to the one the Company is constructing in Lancaster, Ohio, and will be the third motel to carry the Amerihost Inn name. It also represents the sixth new construction project undertaken with The R.R.A. Group of Ohio ("R.R.A."). The Company owns a 25% general partnership interest in the entity which owns the motel. Upon completion, the Company will co-manage this property with R.R.A.

During the second quarter of 1992, the Company completed negotiations for two hotels in Ohio. The first is a 107 room hotel in New Philadelphia, Ohio for which the Company entered into a five year lease with one five year renewal option and an option to purchase at any time during the ten year term. This hotel was an independent and has been converted to a Days Inn. The Company is currently renovating the hotel for cost plus a percentage. The second hotel is a 120 room Holiday Inn in Middletown, Ohio. The Company formed a partnership which acquired the hotel from a California based financial institution. The Company owns 20% of this partnership as a general partner and 8.59% as a limited partner. The Company is currently managing both of these hotels for a percentage of total revenues.

During the second quarter of 1992, the Company's motel management division continued its significant growth. Management fee revenues for the second quarter of 1992

A. **Overview** (continued)

increased 98.4% over the second quarter of 1991. Contributing significantly to this increase was the acquisition of management contracts for six hotels and one condominium complex from Kansas-based Grand American Hotel Management, Inc.. This acquisition was completed in May, 1992. In addition to adding seven properties and over 900 rooms to the Company's list of managed properties, this transaction was significant in that it allowed the Company to branch out into three more states in the Midwest and Southwestern United States. In addition to the management fee revenues the Company expects to earn under the contracts, the Company also completed extensive market and renovation studies for which it received fees during the second quarter of 1992. These contracts, together with the hotels in New Philadelphia and Middletown, Ohio brings the total number of properties managed by the Company to 52 at June 30, 1992 compared to 42 at December 31, 1991.

Due to the increase in hotel operations and the establishment of the Company's employee leasing subsidiary, both of which are affected by seasonal fluctuations in hotel occupancy, revenues in the first and fourth quarter calendar quarters are expected to be weaker than those of the second and third quarters. The Company recognized sharply higher revenues in the second quarter of 1992 as compared to the second quarter of 1991, and also recognized significantly higher net income.

B. **Results of Operations**

Total revenues for the three months ended June 30, 1992 were $7,286,679 as compared to $1,436,881 for the same three month period in 1991. Development/construction revenues for the second quarter of 1992 were approximately 147% higher than the second quarter of 1991, increasing from $971,164 to $2,399,908, due primarily to the three projects under construction in Ashland and Lancaster, Ohio and Plainfield, Indiana. Management fee income of $658,664 for the second quarter of 1992 represents an 98.4% increase over the management fees of $331,933 for the second quarter of 1991. Second quarter revenues for the Company's hotel operations segment increased from $156,540 in 1991 to $1,522,594 in 1992.

This increase is attributable to the revenues generated by the five hotels which the Company began leasing January 1, 1992. The Company's new employee leasing subsidiary generated $2,661,971 in revenues during the second quarter of 1992. This segment was not in existence in 1991.

Cost of sales for the second quarter of 1992 were $5,019,668 as compared to $727,430 for the same three months in 1991. This increase can be attributed to the significant increase in construction activity during 1992 which accounted for cost of sales of $1,982,797 compared to $651,814 for the same quarter in 1991. The inclusion of the Company's new employee leasing segment generated $2,586,435 in cost of sales for the quarter in 1992. In addition, cost of sales for the second quarter of 1992 includes $376,500 from its hotel operations segment, as compared to $37,247 in 1991.

General and administrative expenses increased from $620,387 for the three months ended June 30, 1991 to $1,703,463 for the three months ended June 30, 1992. This increase is due primarily to the hotel operations segment which accounted for $885,010 in general and administrative expenses in 1992 as compared to $50,192 in 1991. In addition, the employee leasing segment which was not in existence in 1991, incurred $31,422 in general and administrative expenses in 1992. General and administrative expenses, without those expenses attributable to the employee leasing and hotel operations segments, increased 38.0%, from $570,195 in 1991 to $787,031 in 1992. This increase can be attributed primarily to the increased administrative costs and overhead associated with the administration and growth of the motel management division. In addition, the Company's office facilities were expanded in the Fall of 1991 resulting in increased rental expense.

Interest expense increased from $66,008 for the three months ended June 30, 1991 to $92,140 for the three months ended June 30, 1992. This increase can be attributed to increased borrowings against the Company's lines of credit for purposes of loans made to the project in Dayton, Ohio and loans made in connection with the Diversified Innkeepers and Grand American management contract acquisitions in November, 1991 and May, 1992, respectively. Depreciation and amortization expense increased from $39,420 for the three months ended June 30, 1991 to $96,103 for the three months ended June 30, 1992. The most significant factors for this increase were $49,396 in amortization of the Diversified Innkeepers and Grand American management contract acquisition costs and the amortization of costs incurred in connection with the leasing of the five hotels discussed above.

C. Liquidity and Capital Resources

Over the years, the Company has financed its growth through a combination of cash provided from operations, long-term debt financing and issuance of common stock. During the first quarters of recent years, the Company has experienced decreases in cash flow from operating and investing activities. The decreases in cash flow from operations has been due primarily to limited construction and development activity. However, during the second quarter of 1992, the Company experienced a positive cash flow from operations. This positive change can be attributed in part to the 1992 second quarter construction activity. In addition, since the hotel industry is seasonal, revenues are typically higher in the second and third quarters. As a result of the inclusion of 100% of the revenues and expenses for the five leased hotels, discussed above, the Company has experienced greater cash flows from its hotel operations division. In addition, its management fee cash flows, which are based on percentages of revenues for the motels the Company manages, reflects the seasonality in the hotel industry.

Decreases in cash flow from investing activities result from the Company's continued investments in the partnerships which own and operate the motels. In addition, during 1992, the Company invested $750,000 in the form of notes receivable from Diversified Innkeepers and Grand American Hotel Management, Inc. as a part of the management contract acquisitions, and loaned $400,000 to the partnership which owns the hotel in Dayton, Ohio. This loan is expected to be repaid during 1992 from the proceeds of financing to be obtained by the partnership.

During the second quarter of 1992, the Company experienced an increase in cash flow from financing activities. This increase is due primarily to the proceeds of common stock issued, a loan of $250,000 which was used to fund the loan made to the partnership which leases the hotel in Dayton, Ohio, and loans in the amount of $750,000 which were used to fund the loans made to Diversified Innkeepers and Grand American.

The Company expects cash flow from operations in the remaining quarters of 1992 and subsequent years to be sufficient to pay the debt service on all existing Company debt. During April, 1992, the Company increased its line of credit with First of America Bank, Northeast, Illinois to $1,000,000, and is currently negotiating to increase the amount of this line of credit.

D. Inflation

Inflation has not, and is not expected to have any significant adverse impact on the Company's operations.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K:

(a) Exhibits:

None required.

(b) Reports on Form 8-K:

There were no reports on Form 8-K filed during the period covered by this report.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Amerihost Properties, Inc.
Registrant

Date: July 21, 1992

By:
Title: Russell J. Cerqua,
Treasurer/Senior Vice President, Finance
(Duly Authorized and Principal Financial Officer)

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SECURITIES AND EXCHANGE COMMISSION

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Washington, D.C. 20549

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FORM 10-Q

(Mark One)

☒ Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1992

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _______ to _______

Commission file number 0-19340

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GMIS Inc.

(Exact name of Registrant as specified in its charter)

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Q-Data Corp. - St. Petersburg, FL

Delaware	23-[illegible]
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
5 Country View Road Malvern, PA 19355	(215) 296-3838
(Address of principal executive offices)	(Registrant's telephone number)

L3Q

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

BEST COPY AVAILABLE

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 1992
Common Stock, $.01 par value	4,109,578 shares

GMIS INC.

FORM 10-Q MARCH 31, 1992

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PART II. OTHER INFORMATION 8

GMIS Inc.
Consolidated Balance Sheets

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$4,151,037	$8,354,508
Short-term investment, at cost	8,155,776	3,653,206
Trade accounts receivable	3,306,978	1,888,310
Interest receivable	190,543	107,753
Prepaid expenses	110,144	98,353
Note receivable	20,000	27,000
TOTAL CURRENT ASSETS	15,934,478	14,129,130
INVESTMENTS, at cost	3,284,468	3,277,859
PROPERTY AND EQUIPMENT, at cost		
Furniture and fixtures	486,224	471,432
Computer equipment and software	710,705	636,051
Leasehold improvements	40,800	40,800
	1,237,729	1,148,283
Accumulated depreciation and amortization	(332,953)	(264,490)
	904,776	883,793
CAPITALIZED SOFTWARE COSTS, less amortization: March 31, 1992 – $1,606,198 and December 31, 1991 – $1,419,523	4,742,742	4,370,240
TOTAL ASSETS	$24,866,464	$22,661,022
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$922,801	$938,956
Accrued compensation	340,885	523,799
Accrued expenses	223,211	203,679
Accrued support reserve	576,902	558,902
Deferred income taxes	119,000	79,000
Deferred revenue	2,775,289	653,988
TOTAL CURRENT LIABILITIES	4,958,088	2,958,324
OTHER LIABILITIES		
Deferred income taxes	46,000	46,000
Other, principally a long-term payable	524,788	532,676
TOTAL LIABILITIES	5,528,876	3,537,000
STOCKHOLDERS' EQUITY		
Common Stock, $.01 par value, 15,000,000 shares authorized; issued and outstanding: March 31, 1992 – 4,109,578 shares; December 31, 1991 – 4,104,424 shares	41,096	41,044
Additional paid-in capital	19,957,272	19,904,608
Notes receivable for Common Stock	0	(111,000)
Retained earnings	(660,780)	(710,630)
TOTAL STOCKHOLDERS' EQUITY	19,337,588	19,124,022
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$24,866,464	$22,661,022

See notes to consolidated financial statements.

4

GMIS Inc.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
REVENUE:		
Operating revenue	$3,191,876	$1,717,863
Interest	174,389	42,541
Total revenue	3,366,265	1,760,404
EXPENSES:		
Cost of revenue	479,629	270,074
Marketing and sales	728,044	442,325
Research and development	638,744	534,488
General and administrative	893,998	249,755
Interest	0	18,974
Total expenses	2,740,415	1,515,616
INCOME BEFORE INCOME TAXES AND AND EXTRAORDINARY ITEM	625,850	244,788
Provision for income taxes	240,000	95,000
INCOME BEFORE EXTRAORDINARY ITEM	385,850	149,788
Extraordinary credit:		
Reduction of income tax charge from carryforward of prior-year operating losses	200,000	95,000
NET INCOME	$585,850	$244,788
Income per common share:		
Income before extraordinary item	$0.09	$0.05
Extraordinary credit	0.04	0.03
Net income	$0.13	$0.08
Weighted average shares outstanding	4,513,003	3,129,533

See notes to consolidated financial statements.

GMIS Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
OPERATING ACTIVITIES:		
Net income	$585,850	$244,788
Adjustments to reconcile net income to net cash provided by operating activities:		
Compensation expense	0	4,593
Deferred income taxes	40,000	0
Depreciation and amortization	255,138	169,986
Amortization of investment discounts	(6,609)	0
Changes in operating assets and liabilites:		
Trade accounts receivable	(1,418,668)	(391,910)
Prepaid expenses	(11,791)	(9,952)
Interest receivable	(82,790)	(12,798)
Other current assets	0	(29,895)
Accounts payable and accrued expenses	3,377	(19,728)
Accrued support reserve	18,000	7,000
Accrued compensation	(182,914)	(24,125)
Deferred revenue	2,121,301	745,410
Other liabilities	(7,888)	(5,955)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,313,006	677,414
INVESTING ACTIVITIES:		
Expenditures for property and equipment	(89,446)	(53,296)
Computer software development costs	(559,177)	(380,390)
Purchase of investments	(4,502,570)	0
Proceeds from notes receivable	118,000	750
NET CASH USED IN INVESTING ACTIVITIES	(5,033,193)	(432,936)
FINANCING ACTIVITIES:		
Advance from line of credit	0	500,000
Payments on capital leases	0	(10,380)
Proceeds from sale of stock	0	28,510
Cash distribution	(536,000)	(53,000)
Proceeds from exercise of options	11,800	0
Proceeds from exercise of warrants	0	311,262
Net proceeds from initial public offering	40,916	0
NET CASH USED IN/PROVIDED BY FINANCING ACTIVITIES	(483,284)	776,392
DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS	(4,203,471)	1,020,870
Cash and cash equivalents at beginning of period	8,354,508	1,305,879
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$4,151,037	$2,326,749

See notes to consolidated financial statments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 1992

Note 1: Basis of Presentation

The financial information presented as of any date other than December 31 has been prepared from the books and records without audit. Financial information as of December 31 has been derived from the audited financial statements of the Company, but does not include all disclosures required by generally accepted accounting principles. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information for the periods indicated have been included. For further information regarding the Company's accounting policies, refer to the Supplemental Consolidated Financial Statements and related notes which were included in the Company's Current Report on Form 8-K dated February 28, 1992, as amended, and filed with the Securities and Exchange Commission.

Note 2: Merger

On February 13, 1992, the Company completed its merger with Medical Intelligence, Inc., issuing 262,664 shares of its common stock for all of the outstanding shares of Medical Intelligence, Inc. (MII). The merger has been accounted for as a pooling of interests and, accordingly, the accompanying consolidated financial statements for the periods presented have been restated to include operating results and accounts of MII.

Operating results of the separate companies for the period were:

	Three Months Ended March 31,	
	1992	1991
Total Revenues:		
GMIS Inc.	$2,761,877	$1,555,678
Medical Intelligence, Inc.	604,388	204,726
	$3,366,265	$1,760,404
Net Income:		
GMIS Inc.	$ 226,874	$ 245,380
Medical Intelligence, Inc.	358,976	(592)
	$ 585,850	$ 244,788

Note 3: Earnings Per Share

Income per share is based on the weighted average number of common shares and dilutive common equivalent shares outstanding during the interim period. Dilutive common equivalent shares consist of shares from the conversion of previously outstanding convertible Preferred Stock, the dilutive effect of outstanding options and certain transactions related to the initial public offering of the Company's stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operating Revenue

The Company derives substantially all of its revenue from three products, Autocoder, ClaimCheck and Medical Appropriateness System (MAPS). Its products are licensed primarily pursuant to multi-year agreements which, in general, provide for payment of equal annual license fees over their terms. The initial license fee payment is recognized at the time of new product delivery and subsequent annual fees on the anniversary contract date. Revenue from product development contracts and other services is recognized as the work is performed.

Operating revenue for the first quarter of 1992 increased 86% to $3,192,000 from $1,718,000 in the corresponding quarter of the prior year. The 1992 results reflect increased market penetration of ClaimCheck and the recognition of revenue for several new MAPS license and service agreements. ClaimCheck's sales were also enhanced by sales of the diagnostic module which was introduced in August of 1991.

Expenses

Cost of revenue for the first quarter of 1992 increased by 78% to $480,000 from $270,000 for the same quarter in 1991. Increased costs can be attributed to a larger base of capitalized software being amortized and to greater customer support costs with new product installations. Cost of revenue represents 15% and 16% of operating revenue for the first quarter of 1992 and 1991, respectively.

Marketing and sales expense was 23% of operating revenue for the first quarter of 1992 or $728,000 compared to 26% of operating revenue for the same quarter in 1991 or $442,000. This represents an increase of 65% which primarily resulted from sales force expansion and greater commission expense.

Research and development expenditures, net of software capitalization, increased $282,000 or 31% in the first quarter of 1992 as compared to the same quarter in 1991 due to increased personnel and related costs to support the Company's new and existing product development. Capitalized software costs increased by $178,000 or 47%. Research and development costs represent 20% and 31% of operating revenue for the first quarter of 1992 and 1991, respectively.

General and administrative costs rose to $894,000 or 28% of operating revenue in the first quarter of 1992 compared to $250,000 or 15% of operating revenue for the first quarter of 1991. The increase as a percent of operating revenue for 1992 can be attributed to one time costs incurred in connection with the MII acquisition and to additional costs associated with being a public company.

Other Income (Expense)

Interest expense for the first quarter of 1991 of $19,000 resulted from capital leases executed in the fourth quarter of 1990 to finance office furniture and computer equipment purchases. These leases were paid off in August, 1991.

Interest income was $174,000 in the first quarter of 1992 compared to $43,000 for the first quarter of 1991. The rise in interest income resulted from investment of the net proceeds from the Company's initial public offering.

Income Taxes

Net operating loss carryforwards were utilized to offset income tax expense for federal tax purposes. The benefit of this reduction has been shown as an extraordinary credit in the Company's statements of operations. A deferred state tax provision was recorded as there were no available net operating loss carryforwards to offset the deferred tax expense. The effective tax rates were 38% and 39% for the first quarter of 1992 and 1991, respectively.

Net Income

Net income for the first quarter of 1992 was $586,000 compared to net income of $245,000 for the corresponding quarter in 1991. The Company's operating margin improved to 18% in the first quarter 1992 from 15% in the same quarter in 1991.

Liquidity and Capital Resources

At March 31, 1992, the Company had approximately $11,000,000 in working capital.

The Company's initial public offering in July of 1991 provided $11,959,000 of net proceeds which has primarily been invested in marketable securities. The Company plans to expand its business by accelerating new and existing product development efforts. The merger with Medical Intelligence, Inc. is consistent with management's development goals. Although in the current quarter the Company's internally generated cash flow was sufficient to support operations, the proposed expansion will increase the Company's utilization of working capital. The Company expects to fund future working capital requirements from existing cash balances, funds available under the Company's credit line and cash to be generated from operations. The Company anticipates that these resources will be sufficient to fund operating and capital expenditure requirements for the foreseeable future.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders

For the Annual Meeting of the Company held on April 29, 1992, the written consent of the shareholders of the Company was solicited with respect to the following matters:

1. To re-elect Dr. Elmer R. Gabrieli and Mr. John F. Kenny as directors of the Company for terms of three years (expiring at the 1995 Annual Meeting) and until their respective successors are duly elected and qualified. The following persons are directors whose term of office as a director continued after the meeting:

   Walter Channing, Jr.
   Christopher F.O. Gabrieli
   Alan B. Miller
   Denis Newman
   Thomas R. Owens
   Carl Witonsky

2. To consider and act on a proposal to approve certain amendments to the Company's 1991 Stock Option Plan (the "1991 Stock Option Plan") as follows:

   A) to increase the number of shares of Common Stock with respect to which options may be granted from 160,000 to 410,000 shares.

   B) to increase the annual grants of options to non-employee directors of the Company from 750 to 5,000 shares and to provide an additional 5,000 shares to each non-employee director of the Company who is also a member of the Executive Committee of the Board of Directors.

   This proposal was approved by 2,445,949 affirmative votes to 1,000 negative votes.

3. To consider and act on a proposal to approve an amendment to the Company's 1991 Non-Qualified Employee Stock Purchase Plan, as amended (the "1991 Stock Purchase Plan").

A) to expand the class of eligible participants to include officers who are not directors of the Company.

This proposal was approved by 2,885,433 affirmative votes to 95,607 negative votes.

4. To approve the appointment of Ernst & Young as independent auditors of the Company to serve for the fiscal year ending December 31, 1992.

The proposal was approved by 3,080,583 affirmative votes to 1,100 negative votes.

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11 - Calculation of Earnings Per Share for the quarter March 31, 1992 and 1991.

(b) Reports on Form 8-K

On February 13, 1992, GMIS filed Form 8-K which reported that the Company entered into a merger agreement on February 13, 1992 to acquire all outstanding shares of Medical Intelligence, Inc. for 262,664 shares of GMIS Inc. common stock. This transaction was accounted for as a pooling-of-interests.

On April 1, 1992, GMIS Inc. filed with the Securities and Exchange Commission Amendment No. 1 to the Form 8-K on Form 8, which included the Supplemental Consolidated Financial Statements of the Company and the Financial Statement of Medical Intelligence, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GMIS INC.
by:

Jeffrey Stello

Vice President, Finance and Administratio
Treasurer and Secretary
(Duly Authorized Officer and Principal
Financial Officer)

Date: May 13, 1992

Exhibit 11

GMIS Inc.
Calculation of Earnings Per Share

	Three Months Ended March 31,	
	1992	1991
EARNINGS PER SHARE:	(in thousands, except per share amounts)	
Weighted average number of common shares outstanding	4,107	1,031
Effect of assumed conversion of preferred shares	0	1,944
Employee stock purchase plan shares	0	27
Dilutive effect of outstanding options	355	77
Dilutive effect of outstanding warrants	51	0
Grants within one year of initial public offering	0	51
TOTAL	4,513	3,130
NET INCOME	$586	$245
PER SHARE AMOUNT	$0.13	$0.08

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

Quarterly Report Pursuant to Section 13 OR 15(d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended February 29, 1992

Commission File Number: 000-19744

CLINICORP.INC.
(Exact name of registrant as specified in its charter)

PROCESSED BY
11/11 M
APR 21 1992

Delaware
(State or other jurisdiction of incorporation or organization)

59-3068714
(I.R.S. Employer Identification No.)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

3491 Gandy Boulevard North, Pinellas Park, Florida 34665
(Address of principal executive offices) (Zip Code)

(813) 577-3500 L3Q
(Registrant's telephone number, including are code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

2,235,000 shares of common stock were issued and outstanding as of February 29, 1992.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CLINICORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)
FOR THE PERIOD (FROM INCEPTION)
MAY 28, 1991 THROUGH FEBRUARY 29, 1992

Revenue		
Sales	$	162,974
Consulting fees		203,283
Total sales		366,257
Costs of operations		
Cost of sales		138,731
Cost of consulting fee		163,841
Administrative expense		510,826
		813,398
Operating loss		(447,141)
Other income (expense)		
Interest income		12,595
Interest expense		(2,971)
Miscellaneous		10,476
		20,100
Loss before income taxes		(427,041)
Income taxes		--
NET LOSS	$	(427,041)
Loss per common share	$	(0.26)
Weighted average shares outstanding		1,668,888

The accompanying notes are an integral part of these financial statements.

CLINICORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (Unaudited)
AS OF FEBRUARY 29, 1992

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 3,023,472
Accounts receivable, net	233,054
Accrued interest receivable	7,217
Inventory	250,455
Due from officers	63,420
Prepaid expenses	72,302
Other	9,996
Total current assets	3,659,916
PLANT AND EQUIPMENT - AT COST	
Furniture, fixtures and equipment	580,213
Equipment on lease	110,437
	690,650
Less accumulated depreciation and amortization	10,056
	680,594
Construction in progress	188,236
	868,830
OTHER NONCURRENT ASSETS	
Intangible asset, net of accumulated amortization of $17,270	1,993,996
Deposits	8,225
	2,002,221
	$ 6,530,967

The accompanying notes are an integral part of these financial statements.

CLINICORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (Unaudited)
AS OF FEBRUARY 29, 1992

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Current maturities of long-term obligations	$	39,203
Notes payable		35,351
Accounts payable		299,088
Sales tax payable		2,557
Accrued liabilities		104,909
Unearned revenue		53,754
Total current liabilities		534,862
LONG-TERM OBLIGATIONS, less current maturities		22,612
STOCKHOLDERS' EQUITY		
Preferred stock - $.10 par value, 500,000 shares authorized:		
Series A, 45,000 issued and outstanding		4,500
Series B, 12,600 issued and outstanding		1,260
Common stock, $.01 par value, 10,000,000 shares authorized, 2,235,000 shares issued and outstanding		22,350
Additional paid-in capital		6,372,424
Accumulated deficit		(427,041)
		5,973,493
	$	6,530,967

The accompanying notes are an integral part of these financial statements.

CLINICORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE PERIOD (FROM INCEPTION)
MAY 28, 1991 THROUGH FEBRUARY 29, 1992

Cash flows from operating activities:	
Net loss	$ (427,041)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	27,326
Changes in operating assets and liabilities net of effect from business acquisition	
(Increase) in account receivable	(233,054)
(Increase) in accrued interest receivable	(7,217)
(Increase) in inventory	(5,274)
(Increase) in prepaid expenses	(56,439)
(Increase) in other assets	(9,996)
Increase in accounts payable	239,287
Increase in sales tax payable	2,557
Increase in accrued liabilities	75,571
Increase in unearned revenue	53,754
Net cash used by operating activities	(340,526)
Cash flows from investing activities:	
Purchases of furniture and equipment	(113,349)
Purchase of assets under construction	(72,100)
Increase in deposits	(6,055)
Increase in loans to officers	(63,420)
Organization costs incurred	(3,157)
Business acquisition	(2,800,000)
Net cash used in investing activities	(3,058,081)
Cash flows from financing activities:	
Proceeds from issuance of common stock	6,394,774
Proceeds from issuance of preferred stock	5,760
Proceeds from debt instruments	252,377
Payments on debt instruments	(230,832)
Net cash provided from financing activities	6,422,079
Net increase in cash and cash equivalents	3,023,472
Cash and cash equivalents at beginning of period	---
Cash and cash equivalents at end of period	$ 3,023,472

The accompanying notes are an integral part of these financial statements.

CLINICORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

The accompanying consolidated financial statements include the accounts of Clinicorp, Inc. (the "Company"), a Delaware corporation and its wholly owned subsidiaries, Back & Neck Pain Clinics of America, Inc., PMA Management Services, Inc., Clinicorp Retail Sales, Inc. and Clinicorp Leasing Company, Inc.. All significant intercompany accounts and transactions have been eliminated. The Company's interim consolidated financial statements are unaudited.

On January 22, 1992 the Company purchased certain assets and the business organization of Practice Management Associates, Inc. ("PMA") which enabled the Company to commence active operations. Prior to this date the Company was engaged primarily in obtaining the financing for this acquisition and planning for its subsequent sustained operations. The Company incurred no significant costs prior to December 1, 1991, therefore the amounts in these financial statements reflect the data for both the quarter ended February 29, 1992 and the year to date period.

In the opinion of the Company, all adjustments necessary for a fair presentation of such consolidated financial statements have been included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results for a full year.

The interim consolidated financial statements and notes thereto are presented as permitted by the Securities and Exchange Commission, and do not contain certain information which will be included in the Company's annual consolidated financial statements and notes thereto.

Note 2 - Business Acquisition

On January 22, 1992 the Company purchased certain assets and the business organization of PMA, a chiropractic management consulting firm. The assets purchased consisted of inventory, fixed assets, leasehold improvements, certain contract rights and obligations, copyrights, intellectual property, and other miscellaneous assets. Contracts involved in pending multi-district litigation with PMA and the receivables associated therewith and a direct financing lease were not purchased.

The Company received assets of approximately $964,800 for which they paid PMA $2,800,000 in cash and assumed certain liabilities aggregating $164,800. As a result of this acquisition the Company has recorded goodwill of $2,000,000 which is being amortized over 15 years.

The Company assumed the executory obligations of affiliates of PMA under certain software and equipment leases, as well as certain computer system support agreements. In addition the Company assumed guarantees on certain equipment leases entered into by chiropractors with an independent third party leasing company. These guarantees were originally made by PMA and Dr. Peter G. Fernandez, and were assumed as part of the purchase agreement.

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

A. Consolidated Results of Operations

The following discussion presents areas that have materially effected the consolidated results of operations which have occurred during the period May 28, 1991 through February 29, 1992.

Sales and cost of sales

Sales represent revenues generated by Clinicorp Retail Sales, Inc. and Clinicorp Leasing Company, Inc.. Sales and related cost of sales of the equipment, office supplies, and printing divisions are consolidated under Clinicorp Retail Sales, Inc.. These divisions sell chiropractic equipment, general office supplies, and printing, primarily to doctors of chiropractic. Clinicorp Leasing Company, Inc. leases equipment and proprietary software to chiropractors.

Sales of $162,974 and a cost of sale of $138,731 resulted in a gross margin percentage of 14.87%. This percentage applies from the date operations commenced of January 22, 1992 to February 29, 1992. The cost of sales figure of $138,731 includes cost of goods sold, salaries and related expenses, and general operating expenses amounting to $89,436, $31,127 and $18,168 respectively. Salaries and related expenses, and general operating expenses are generally fixed in nature. These costs will not fluctuate significantly with changes in sales volume. As such the gross margin percentage is subject to fluctuation as a direct result of sales volume.

The decline in chiropractors attending the Company's seminars has had an adverse effect on retail sales. This decline results in fewer potential clients which can purchase or lease office equipment, or purchase office supplies and printing services.

Subsequent to the acquisition the Company has consolidated the separate sales companies of PMA into one subsidiary, Clinicorp Retail Sales, Inc., enabling it to capitalize on the economies of scale related to advertising, purchasing, and personnel. Through a coordinated marketing effort, the Company is now presenting its product lines without duplication of cost. The Company is also evaluating the market and, if warranted, plans to offer new product lines. In addition, the Company is currently revising and updating its proprietary software. The completion of such revisions will culminate in a strong marketing effort which will introduce the updated software to the chiropractic field. Software sales and leases have no fixed costs assigned to the product. The Company believes that the development costs incurred for these revisions should be insignificant and will be expensed in the period they are incurred.

Consulting fees and cost of consulting fees

Consulting fees represent revenues generated by PMA Management Services, Inc. through consulting contracts and seminar fees, as well as revenues generated through computer support agreements serviced under Clinicorp Computers, a division of Clinicorp Retail Sales, Inc..

Consulting fees of $203,283 and costs of consulting of $163,841 resulted in a gross margin percentage of 19.4%. This percentage applies from the date operations commenced of January 22, 1992 to February 29, 1992. Cost of consulting fees represent expenses associated with providing services under the contracts noted above. Such costs of $163,841 include all salaries and related expenses, seminar productions, and general operating expenses of $65,475, $56,788 and $41,578 respectively. These costs are usually fixed in nature and therefore, as a percentage of consulting revenue, are directly affected by fluctuations in attendance at the Company's seminars.

Prior to the assumption by the Company of certain executory obligations from PMA for consulting contracts, certain factors were identified that caused significant declines in the revenues being generated through such contracts. Management is currently evaluating the services being provided under these contracts as well as other outside factors, and is developing a strategy relative to its influence within the chiropractic consulting business.

Administrative costs

Administrative costs were $510,826. Included in this amount are expenses pertaining directly to the public stock offering and other costs associated with the acquisition of PMA. Salaries and related expenses of management and administrative staff account for $98,501 of the total administrative expense.

The Company incurred expenses of $253,241 related to the acquisition of certain assets of PMA including legal and administrative costs. Included in this amount is $47,400 relating to expenses associated with a delay in the initial public offering.

B. Financial Position, Liquidity and Capital Resources

The Company has financed its growth through the issuance of $7.5 million of Common Stock in January 1992. The net proceeds from this offering have been used and will continue to be used to acquire businesses related to the chiropractic field as well as general corporate purposes. At February 29, 1992 the Company had working capital of $3.1 million, which the Company believes is adequate for its normal business purpose.

The Company is in various stages of negotiation with chiropractors on the sale of their practices to the Company, and has entered into letters of intent to acquire several chiropractic clinics and other chiropractic related organizations located throughout the United States. All such agreements contain a clause regarding the Company's ability to obtain adequate financing to complete the acquisition.

Based upon such acquisition activities the Company anticipates the need to obtain additional funding, and has begun preliminary discussions with both investment bankers and traditional lenders for such capital needs. The Company anticipates obtaining adequate financing either through the use of traditional bank financing, a private placement, or another registration of securities.

PART II - OTHER INFORMATION

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CLINICORP, INC.
(Registrant)

Date April 13, 1992

Robert S. Goldsamt, Chairman
and Chief Executive Officer

Date April 13, 1992

Robert W. Stewart, Chief Financial
Officer and Treasurer

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

BEST COPY AVAILABLE

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 29, 1992

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

PROCESSED BY
24/24:M
APR 21 1992

Commission File Number: 1-9872

COLUMBUS ENERGY CORP.
(Exact name of registrant as specified in

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Colorado
(State or other jurisdiction of incorporation or organization)

84-0891713
(I.R.S. Employer Identification No.)

1660 Lincoln St., Denver, CO
(Address of principal executive offices)

80264
(Zip Code)

(303) 861-5252
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes ____ No ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 13, 1992
Common stock, $.20 par value	2,957,978

COLUMBUS ENERGY CORP.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

COLUMBUS ENERGY CORP.

CONSOLIDATED BALANCE SHEETS

ASSETS

	February 29, 1992 (unaudited)	November 30, 1991
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 2,496	$ 2,525
Accounts receivable -		
Joint interest partners	661	1,329
Oil and gas sales	1,004	884
Other	135	131
Less allowance for doubtful accounts	(61)	(146)
Inventory of oil field equipment, at lower of average cost or market	89	74
Other	110	111
Total current assets	4,434	4,908
Property and equipment:		
Oil and gas assets, successful efforts method (Note 3)	38,615	38,339
Other property and equipment	2,032	2,022
	40,647	40,361
Less: Accumulated depreciation, depletion and amortization and valuation allowance	(28,884)	(28,587)
Net property and equipment	11,763	11,774
Other (Note 3)	577	600
	$ 16,774	$ 17,282

The accompanying notes are an integral part of these financial statements.

COLUMBUS ENERGY CORP.

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	February 29, 1992 (unaudited)	November 30, 1991
	(in thousands)	
Current liabilities:		
Current maturities of long-term debt (Note 3) - bank debt	$ 465	$ 529
Accounts payable	668	770
Undistributed oil and gas production receipts	1,185	1,141
Accrued production and property taxes	219	905
Prepayments from joint interest owners	339	409
Accrued expenses	309	318
Other (Note 2)	257	250
Total current liabilities	3,442	4,322
Long-term debt (excluding current maturities) (Note 3):		
Bank debt	3,031	3,189
Employee stock ownership plan	574	596
Capital lease obligations	40	51
Deferred income taxes (Note 4)	162	144
Other liabilities	222	219
Commitments and contingent liabilities (Notes 2 and 3)		
Stockholders equity:		
Preferred stock authorized 5,000,000 shares, no par value, none issued	-	-
Common stock authorized 20,000,000 shares of $.20 par value; shares issued 2,957,542 in 1992 and 2,927,542 in 1991 (outstanding 2,957,542 in 1992 and 2,927,542 in 1991)	592	586
Additional paid-in capital	12,335	12,026
Cumulative foreign currency translation adjustments	(313)	(189)
Accumulated deficit, since December 1, 1987	(2,737)	(3,066)
	9,877	9,357
Less: Stock held by Employee Stock Ownership Plan	(574)	(596)
Total stockholders' equity	9,303	8,761
	$ 16,774	$ 17,282

The accompanying notes are an integral part of these financial statements.

COLUMBUS ENERGY CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended	
	February 29, 1992	February 28, 1991
	(in thousands, except per share data)	
Revenues:		
Oil and gas sales	$ 1,843	$ 1,660
Operating and management services (Note 5)	395	389
Interest income	48	95
Other	-	5
Total revenues	2,286	2,149
Costs and expenses:		
Lease operating expenses	504	514
Property and production taxes	158	183
Operating and management services/general and administrative	633	684
Depreciation, depletion and amortization	380	393
Exploration expense	19	12
Total costs and expenses	1,694	1,786
Operating income	592	363
Other expense (income):		
Interest	74	128
Litigation expense (Note 6)	100	169
Other	(81)	2
	93	297
Earnings before income taxes	499	66
Income tax expense (Note 4)	170	22
Net earnings	$ 329	$ 44
Weighted average shares outstanding	2,953	2,928
Earnings per share	$ .11	$ .02
Dividends per share	$ -	$ -

The accompanying notes are an integral part of these financial statements.

COLUMBUS ENERGY CORP.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Three Months Ended February 29, 1992
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation Adjustments	Employee Stock Ownership Plan
	Shares	Amount	(dollar amounts in thousands)			
Balances, December 1, 1991	2,927,542	$ 586	$12,026	$(3,066)	$ (189)	$ (596)
Exercise of employee stock options	30,000	6	163			
Adjustment for foreign currency translation	-	-	-	-	(124)	-
Contributions to Employee Stock Ownership Plan	-	-	-	-	-	22
Income tax benefit of loss carryforwards arising prior to quasi-reorganization	-	-	146	-	-	-
Net earnings	-	-	-	329	-	-
Balances, February 29, 1992	2,957,542	$ 592	$12,335	$(2,737)	$ (313)	$ (574)

The accompanying notes are an integral part of these financial statements.

COLUMBUS ENERGY CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	February 29, 1992	February 28, 1991
	(in thousands)	
Net earnings	$ 329	$ 44
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion, and amortization	380	393
Deferred income taxes	23	-
Income tax benefit of prior operating loss carryforwards	146	21
Other	58	14
Changes in operating assets and liabilities:		
Accounts receivable	459	606
Other current assets	(14)	(19)
Accounts payable	(102)	(155)
Undistributed oil and gas production receipts	44	(694)
Accrued production and property taxes	(686)	(562)
Accrued expenses	(9)	(7)
Prepayments from joint interest owners	(70)	299
Other current liabilities	6	27
	(372)	(505)
Net cash provided by (used in) operating activities	564	(33)
Cash flows from investing activities:		
Additions to oil and gas properties	(529)	(369)
Additions to other assets	(12)	(61)
Net cash used in investing activities	$ (541)	$ (430)

(Continued)

COLUMBUS ENERGY CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
(Unaudited)

	Three Months Ended	
	February 29, 1992	February 28, 1991
	(in thousands)	
Cash flows from financing activities:		
Reduction in long-term debt	$ (173)	$ (173)
Proceeds from issuance of common stock	135	-
Other	(9)	(7)
Net cash provided by (used in) financing activities	(47)	(180)
Effect of exchange rate on cash	(5)	8
Net increase (decrease) in cash and cash equivalents	(29)	(635)
Cash and cash equivalents at beginning of period	2,525	3,447
Cash and cash equivalents at end of period	$ 2,496	$ 2,812

Interest paid for the three months ended February 29, 1992 and February 28, 1991 was $46,000 and $133,000, respectively. Income taxes of $30,000 were paid during the three months ended February 28, 1991.

Noncash investing and financing activities:

None.

The accompanying notes are an integral part of these financial statements.

COLUMBUS ENERGY CORP.

NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

(1) BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Columbus Energy Corp. ("Columbus") and its wholly-owned subsidiaries, CEC Resources Ltd. ("Resources") and Columbus Gas Services, Inc.("CGSI"). All significant intercompany balances have been eliminated in consolidation. The term "Company" as used herein includes Columbus and its subsidiaries.

The financial statements contain all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary to present fairly the financial position of the Company as of February 29, 1992 and November 30, 1991, the results of its operations and cash flows for the three months ended February 29, 1992 and February 28 1991. The results of operations for such interim periods are not necessarily indicative of results to be expected for the full year.

Columbus was a former subsidiary of Consolidated Oil & Gas, Inc. ("Consolidated"), which was liquidated under a confirmed Chapter 11 reorganization plan. The CGS Creditors' Trust, created for the benefit of unsecured creditors as part of Consolidated's confirmed reorganization plan, currently owns 34.8% of the Company's common stock.

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Earnings (loss) per share are computed by dividing net earnings (loss) by the weighted average number of shares outstanding in each period. The effects of stock options have been excluded during all periods as they were either not dilutive or antidilutive.

Oil and Gas Properties

The Company follows the successful efforts method of accounting. Lease acquisition and development costs (tangible and intangible) for expenditures relating to proved oil and gas properties are capitalized. Delay and surface rentals are charged to expense in the year incurred. Dry hole costs incurred on exploratory operations are expensed. Dry hole costs associated with developing proved fields are capitalized. Expenditures for additions, betterments and renewals are capitalized. Geological and geophysical costs are expensed when incurred.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)
(Unaudited)

Upon sale or retirement of proved properties, the cost thereof and the accumulated depreciation or depletion are removed from the accounts and any gain or loss is credited or charged to income, if significant. Maintenance and repairs are charged to operating expenses.

Provision for depreciation and depletion of capitalized exploration and development costs are computed on the unit-of-production method based on proved developed reserves of oil and gas, as estimated by petroleum engineers, on a property by property basis. An additional valuation provision is made if total capitalized costs of oil and gas properties, excluding unproved properties less accumulated depletion and related deferred income taxes, exceed (1) the present value of future net revenues from estimated production of proved oil and gas reserves using constant prices discounted at 10% less (2) income tax effects related to differences between book and tax basis of the properties. Unproved properties are assessed periodically to determine whether they are impaired. When impairment occurs, a loss is recognized by providing a valuation allowance. When leases for unproved properties expire, any remaining cost is expensed. Depreciation of other assets are provided on the straight line method over their estimated useful lives.

The Company follows the entitlements method of accounting for gas balancing of gas production. The Company's gas imbalances are immaterial at November 30, 1991 and February 29, 1992.

(2) PARTNERSHIP STATUS

Columbus was formerly the managing general partner of Consolidated Energy Partners L.P. ("CPS") and its subsidiary partnership, Consolidated Operating Partners L.P. ("COP"), which were dissolved effective November 30, 1989.

Columbus, as managing general partner of COP, and Columbus as managing general partner and Consolidated as associate general partner of CPS had an obligation to pay for the respective partnership's costs incurred. Consolidated was in Chapter 11 bankruptcy proceedings from March 7, 1989 to May 1990, which affected its status as an associate general partner as well as the status of its liability. Included in other liabilities as of February 29, 1992 and November 30, 1991, is $166,000 and $167,000, respectively, which were amounts equal to the remaining cash available for accounts payable to be paid on behalf of CPS related to its liquidation.

(3) LONG-TERM DEBT

	February 29, 1992	November 30, 1991
	(in thousands)	
Current debt:		
Columbus bank debt	$ -	$ -
CEC Resources Ltd. bank debt	465	529
	$ 465	$ 529
Long-term debt:		
Columbus bank debt	$ 2,418	$2,418
CEC Resources Ltd. bank debt	613	771
Total bank debt	3,031	3,189
Employee Stock Ownership Plan Note	574	596
	$ 3,605	$ 3,785

The Columbus bank debt is collateralized by a mortgage on its oil and gas properties. The bank debt of Resources is collateralized by its Canadian oil and gas producing properties and gas processing plant.

The Employee Stock Ownership Plan (ESOP) financing was obtained from a Denver-based bank holding company, Vectra Banking Corporation, at 8 1/2% interest per annum with a maturity of December 1, 1993. No minimum principal payments are required and interest is payable quarterly. Columbus has guaranteed payment of the ESOP note and has deposited the proceeds received from the sale of stock in certificates of deposit at various Vectra Banks as additional collateral for its guarantee. Quarterly, as principal payments are made by the ESOP, the certificates of deposit are reduced and the cash released to Columbus. At February 29, 1992 and November 30, 1991, $574,000 and $596,000, respectively, of the certificates of deposit are included in other long-term assets.

(4) INCOME TAXES

The Company files a consolidated income tax return with its own subsidiaries and intends to execute a tax allocation agreement with them.

For the 1992 first quarter, Canadian deferred income taxes are provided because Resources had previously utilized its financial statement operating loss carryforwards. Such deferred income taxes are comprised entirely of timing differences between tax and financial statement recognition of oil and gas exploration and development costs and expenses. For financial statement purposes, any income tax expense not related to Canadian taxes can be mostly offset by prior years' operating loss carryforwards except to the extent there is an Alternative Minimum Tax liability. Any income tax benefit which uses loss carryforwards created prior to the quasi-reorganization on December 1, 1987 is added to additional paid-in capital and is a non-cash expense.

Net operating loss carryforwards, percentage depletion deductions, and investment tax credit carryforwards are available for U.S. tax purposes only. For Canadian income tax purposes when the annual taxable income of Resources exceeds its available Canadian tax allowances and deductions for that year, current income taxes must be provided and a tax liability recorded. It is also possible that Canadian taxes could become currently payable in future periods even though no consolidated U.S. income taxes are payable due to available U.S. net operating loss carryforwards. Should Canadian taxes be paid, that amount could be used in the future as a foreign tax credit to reduce U.S. consolidated income taxes.

In February 1992, the Financial Accounting Standards Board issued Statement No. 109 - Accounting for Income Taxes - which will require the Company to change its method of reporting for income taxes for financial statement purposes no later than fiscal year 1994. The Company has not determined the potential impact of such change, if any, on its financial statements.

(5) RELATED PARTY TRANSACTIONS

The general and administrative cost reimbursements from CPS and COP will continue at a minimal level until Columbus completes its activities as liquidator thereof. Columbus received from COP fees and reimbursements (included with operating and management services revenue) of $3,000 and $5,000 for the three months ended February 29, 1992 and February 28, 1991, respectively.

(6) LITIGATION EXPENSE

The litigation expense in the first quarter of 1992 includes (1) the $50,000 of CGS Creditors' Trust expenses which Columbus has agreed to pay in connection with the Settlement Agreement that was executed on March 18, 1992, and (2) $40,000 for the estimated costs of registration of the 1,029,232 shares to be distributed or sold by the Trust as part of that Agreement.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

The Company's positive working capital and rapidly expanding cash flow continue to evidence significantly improved liquidity and provide a source of capital. The Company's financial condition in the first quarter of 1992 further improved as the balance of the new wells which were developed in Texas in 1991 produced for almost all of the quarter. At November 30, 1991, the Company's liquidity had been temporarily reduced compared to the end of 1990 because its entire 1991 cash flow had been used to develop significant new reserves and reduce bank debt. During 1992's first quarter, oil production and resulting revenues increased to record levels despite disappointing crude oil prices.

Natural gas prices declined to the lowest level for any winter heating season quarter since Columbus began spot market sales in the mid-1980's. Disappointing total U.S. demand because of recessionary factors and mild winter weather in heavily populated areas was a primary contributor to that result. Also, the highly publicized U.S. "gas bubble" continued to depress prices for natural gas to lower levels than those received during most of the 1980's. This phenomena, coupled with increased volumes of storage gas, might keep prices from materially escalating until the effects of recently passed "clean air" legislation becomes part of the demand factor in 1995. Because it is not possible to accurately forecast the weather or future demand, the Company will continue to take into consideration these factors before either increasing its gas development activity or making any substantial gas reserve acquisitions.

As a direct result of the 1991 drilling successes,the Company expects that the daily rate of oil production in the U.S. for all 1992 will be more than double that reported for fiscal 1991. This increased production will more than cushion the impact of recent declines of oil and gas prices, will provide the funds budgeted for development activities in 1992, and will allow management to make a significant reduction in debt if that appears to be the most prudent use of this excess cash flow.

Since 1988, the Company has continually had to cope with harassment in the form of repetitive litigation instigated by a hostile group who gained control of its former parent, Consolidated. The most recent lawsuit was filed in Bankruptcy Court in June 1989 and was essentially a duplication of two previous State Court lawsuits which had been dismissed and/or adjudicated favorably to the Company. The bankruptcy lawsuit was later removed to Federal District Court and Columbus was permitted to become an intervenor/defendant. It has also been paying for legal expenses incurred by its present and former officers and directors since the Company is required to provide indemnification by contract, by its By-Laws, and by its Articles of Incorporation. Expenses have diminished since May 1991 when the parties agreed to a standstill in the proceedings while they undertook settlement negotiations which eventually led to an agreement although the stay had to be extended three times by the Federal District Court while various possible alternatives were explored.

A Settlement Agreement was finally executed on March 18, 1992 by all parties and is described in Part II, Item 1. Legal Proceedings and in Form 8-K filed on March 20, 1992. Columbus may possibly acquire all or a part of 229,232 shares of Columbus common stock being sold by the CGS Creditors' Trust as treasury stock at the price of $5.25 per share to the extent these shares are not bought by third parties. Sufficient cash to cover the entire share purchase, should it become necessary, was transferred by the Company to an escrow account in late March 1992 pending completion of the other settlement terms and determination of the amount of shares being acquired by third parties. Significance of achieving this Settlement Agreement to existing and future shareholders cannot be over-emphasized. Immediately identifiable benefits include the elimination of the sizable legal expense as well as the drain on management's time spent gathering data and participating in the defense of the litigation. Less apparent benefits include items such as accomplishing a distribution of over one-third of the ownership of the Company into the hands of a diverse and a substantial number of persons and entities. This should help the trading market for Columbus' common shares to become more active which in turn should eventually lead to more market stability. Also, with the litigation cloud removed, the Company can now be evaluated by future investors based on its existing assets and prospects for growth without that distraction.

Columbus has also agreed as a part of its participation in the Settlement Agreement that it will apply for listing of its common shares on the American Stock Exchange no later than June 15, 1992. There is no assurance that such an application will be accepted, but if it is, it is management's belief that national exposure on a daily basis should create much greater interest in the Company's securities.

The scope of the Company's operation and management services segment has been reduced significantly by an operations and asset sale in the fall of 1990. This reduced activity level has caused the U.S. operations to show a loss each quarter, but it was more than offset by the profit from the Canadian services so that there has been an overall positive cash flow. This trend has continued during the first quarter of 1992 although improved revenues over 1991 are expected for fiscal 1992 for this segment.

The Company had outstanding borrowings of $2,418,000 as of February 29, 1992, against its U.S. bank line of credit with United Bank of Denver. Columbus' borrowing base was the same amount at that time but was under review for a significant increase. The current interest rate is 7-1/4% which is 1% lower than at its 1991 fiscal year end. In October 1991, the borrowing base had been held flat after a review using mid-year 1991 reserve valuations and the bank's own pricing and lending parameters, but has since had an interim increase of an additional $300,000. This amount became available on March 23, 1992 and has been utilized to partially fund the Settlement Agreement escrow account as related to the purchase of Columbus common stock discussed above. Columbus is currently holding discussions with banks toward obtaining a loan with less restrictive terms, a significantly expanded line of credit based upon its year end 1991 reserves, and a borrowing which would be North American in scope.

At present, the Canadian bank credit line is with the Canadian Imperial Bank of Commerce. The outstanding principal amount of that loan was $1,079,000 (CDN$1,275,000) as of February 29, 1992 which is $43,000 (CDN$50,000) less than the current borrowing base which was last determined in August 1991. The current effective interest rate is 9.00%. Toward the end of fiscal 1991, this entire credit line was taken down to replenish working capital that had previously been used for capital expenditures in Canada as well as to provide a return of capital to the U.S. parent. This return of capital in 1991 supplemented U.S. working capital needed for the expanded budget requirements to rapidly develop the Sralla Road field in Texas. The Canadian bank credit line currently requires payments of $43,000 (CDN$50,000) per month until fully paid on May 31, 1994.

Working capital at February 29, 1992 was a positive $992,000 compared to $582,000 at November 30, 1991. The increase is attributable to additional production and cash flow from the new wells as previously discussed.

During the first quarter in 1992 cash provided from operations was $564,000 compared to cash used of $33,000 in the first quarter 1991 and cash provided of $1,496,000 for all of fiscal 1991. However, these numbers are not considered to be a meaningful presentation of cash flow comparison. There is undue influence exerted upon operating results with the required inclusion of working capital changes because of the Company's substantial operations for third party non-operators and the relative contribution of items of income and expense related thereto which affect working capital. These include the timing of the receipt and distribution of oil and gas revenues owned by third parties, the timing of payments of accounts payable on their behalf (including accrued production and property taxes owed by third parties) and the timing of the receipt of accounts receivables from those parties. Management believes a better measure of the Company's cash flow that would be more directly related to its own operating results would be one that is determined before any consideration is given to working capital changes. For example, 1992 cash first quarter cash flow by this more representative definition, was $936,000 compared to $472,000 for the first quarter of 1991. These significant changes in cash flows clearly demonstrate the distortion between years that may result from the significant influences that third party funds have on working capital changes. However, over several years the cumulative cash flows under either method will be similar.

During the first quarter of 1992, capital expenditures for oil and gas properties totaled $529,000 with the substantial increase being primarily attributable to the continuing rapid development of the Vicksburg oil field in Texas. Capital costs for all of 1992 have been budgeted to increase significantly in the U.S. and will be funded out of the Company's cash flow and working capital. Canadian capital expenditures are expected to be fairly limited in 1992 insofar as exploration and development expenses are concerned.

RESULTS OF OPERATIONS

Oil and Gas Revenues and Operating Costs

In the U.S., the following table shows comparative revenues, sales volumes, average prices and percentage changes between periods, for oil and natural gas for the first quarters of 1992 and 1991 and the first quarter of 1992 versus the fourth quarter of 1991.

	First Quarter		%	Fourth Qtr.	%
	1992	1991	Change	1991	Change
Oil revenue M$	$1,055	$ 555	90%	$ 664	59%
Natural gas revenues M$	$ 305	$ 222	37%	$ 328	(8)%
Oil sales volumes:					
Barrels	58,000	24,564	136%	32,854	77%
Barrels/day	638	273		361	
Natural gas sales volumes:					
Millions of cubic feet	189	121	56%	204	(7)%
MCF/day	2,074	1,344		2,244	
Average price received:					
Oil - $/BBL	$18.18	$22.58	(20)%	$20.21	(10)%
Natural gas - $/MCF	$ 1.61	$ 1.83	(12)%	$ 1.60	1%

In the U.S., oil revenues for the first quarter were up 90% over the similar 1991 quarter as a result of higher sales volumes and despite a 20% reduction in the average oil price received. The increased volumes primarily resulted from the new Vicksburg wells in the Sralla Road field near Houston. First quarter 1992 oil sales volumes also exceeded fourth quarter 1991 volumes because in that same field, the Brewer #1-V well produced its first full month's allowable in December 1991, while the Holmes-Elliott #1-V well was completed and commenced production in January 1992. When compared to the fourth quarter last year, first quarter U.S. oil revenues were 59% higher because of increased volumes and overcame a 10% decrease in the average price per barrel.

Natural gas revenues increased 37% in the first quarter of 1992 when compared to 1991 due to greater sales volumes produced from Texas gas wells connected during 1991 subsequent to the first quarter. Average prices for natural gas decreased 12% in the first quarter of 1992 compared to 1991's similar quarter because of the aforementioned reduced demand due to a mild winter and the U.S. recession. Because of the 7% decrease in sales volumes, there was a 6% decrease in gas revenues in first quarter 1992 compared to fourth quarter 1991.

For Canada, the following table shows similar comparative data by quarters and percentage changes between periods (stated in U.S. dollars where applicable).

	First Quarter		%	Fourth Qtr.	%
	1992	1991	Change	1991	Change
Oil and plant liquids revenues M$	$ 167	$ 291	(43)%	$ 183	(9)%
Natural gas revenues M$	$ 375	$ 592	(37)%	$ 420	(11)%
Oil and plant liquids sales volumes:					
Barrels	13,508	17,034	(21)%	13,820	(1)%
Barrels/day	148	189		150	
Natural gas sales volumes:					
Millions of cubic feet	357	481	(26)%	355	1%
MCF/day	3,926	5,341		3,902	
Average price received:					
Oil and liquids - $/BBL	$12.34	$17.11	(28)%	$13.45	(8)%
Natural gas - $/MCF	$ 1.05	$ 1.23	(15)%	$ 1.18	(11)%

The amounts in the table above reflect actual first quarter 1992 revenues and prices and do not include a negative adjustment of $59,000 related solely to 1991 gas contract price adjustments. This amount is reflected in 1992's first quarter by a reduction of revenues reported for that quarter. In Canada, gas revenues in the first quarter of 1992 were lower than the first quarter of 1991 because of reduced sales volumes and lower average prices for natural gas. Revenues for oil and plant liquids decreased 43% in 1992 compared to 1991 because of 28% lower average prices and 21% lower volumes. Steadily decreased production of gas has occurred since the first quarter of 1991 despite new compression and expanded gas processing being added in the Carbon field during latter 1990. This is due to some wells being subjected to restrictions as prices fell and the best well in the field has showed some normal productivity decline. Gas prices were also lower in the first quarter of 1992 compared to the fourth quarter of 1991 by 11% while gas volumes slightly increased. Oil and liquids prices decreased 8% during the 1992 first quarter and resulted in decreased revenues while production volumes declined only 1% as compared with the fourth quarter of 1991.

U.S. lease operating expenses were approximately the same in the first quarter of 1992 compared to 1991. The additional U.S. wells producing in 1992 have added only a relatively small amount of operating costs compared to the large increase in revenues. Therefore, operating costs as a percentage of revenues have declined significantly in 1992 as compared to 1991 even though unit prices have declined. Lease operating costs in Canada have continued to be higher as a percentage of revenues because the processing fees at the gas plant are based on volumes processed and primary compression charges are fixed monthly and not tied to volumes produced by the large volume well being compressed.

Production and property taxes are approximately 9% of revenues, which is down from the 11% rate previously experienced. Most of this decrease is the result of the low production tax rates applied to oil production in Texas compared to gas production. In the U.S. the relationship of taxes and revenue is not always directly proportional because certain areas' local taxes are computed based upon reserve evaluations as opposed to actual production for the period.

Operating and Management Services

This segment of the Company's U.S. business includes operations and services conducted on behalf of third parties. The Company receives operating service revenue from its share of processing fees at the Carbon area liquid extraction plant in Canada which include processing Resources' own gas. No profit is generated from that portion of the flow stream since it is offset by a commensurate increase in its share of well operating expense. Unrelated third party gas is also being processed and currently represents about 45% of the plant's processed volumes.

Specific amounts of revenues from operating and management services that were formerly received from the partnerships are disclosed in Note 5 of the Notes to the Financial Statements. The costs associated with maintaining operating services in the U.S. exceeded the revenues for that segment while Canada showed a modest profit.

The operating and management services revenue are comparable in 1992 to 1991 quarters.

Interest Income

Interest income is primarily earned from short term investments. These rates fluctuate based upon changes in the commercial paper rates and the prime rate. The decrease in interest income in 1992 is primarily the result of much lower short term interest rates.

Operating and Management Services/ General and Administrative Expenses

The operating and management services expenses for that segment are combined with general and administrative expenses. General and administrative expenses are considered to be those which relate to the direct costs of the Company which do not originate from operation of properties or providing of services. Corporate expense represents a major part of this category although other nonbillable expenses contribute. The Company's total operating and management services/general and administrative expense in 1992's first quarter was reduced from 1991's because of the above normal costs incurred last year in installing a new software accounting and operations system and unusually high medical claims which were incurred under the Company's self-insurance program. The 1992 first quarter expense includes a noncash expense of $33,750 related to the exercise of nonqualified stock options.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization of oil and gas assets are calculated based upon the units of production compared to proved reserves of each field. The expense is not only directly related to the level of production, but also is dependent upon past finding costs and acquisition costs of those reserves. Depletion expense of oil and gas properties in 1992 was less than 1991 in spite of increased production, because the increased production occurred in fields with a low per unit depletable cost basis with related increased reserves. For the first quarter of 1992 the depletion rate was $1.96 per barrel of oil equivalent for the Company. Depreciation and amortization of office equipment and computer software is also included in the total charge.

Interest Expense

Interest expense varies in a direct relationship to the amount of bank debt and the level of bank interest rates. The amount of bank debt outstanding is lower in 1992 than in 1991. The average bank interest rate paid in the first quarter of 1992 has been 7.5% for U.S. debt and 8.6% for Canadian debt. This compares to 10.3% and 13.2%, respectively, in the first quarter of 1991. Both factors therefore contributed to lower interest expense for the first quarter of 1992.

Exploration Expense

In general, the exploration expense category relates to continuing efforts to acquire and explore new prospects. The expense in 1992 and 1991 primarily relates to geological consulting work being provided to Resources in Canada and in addition, in both quarters seismic expense was incurred for the Sralla Road field in Texas.

Litigation Expense

For the first quarter of 1992 the litigation expense also includes (1) the $50,000 of CGS Creditors' Trust expenses which Columbus has agreed to pay in connection with the Settlement Agreement that was executed on March 18, 1992, and (2) $40,000 for the estimated costs of registration of the 1,029,232 shares to be distributed or sold by the Trust as part of that Agreement.

Other Income

In addition to minor normal charge-offs the allowance for doubtful accounts has been reduced by $84,000 during 1992 and credited to other income. As a result of a prior 1990 agreement, Columbus had been holding an equal amount of undistributed oil and gas production receipts as an offset to its operator lien claim pending a possible recovery of a like amount from the Trust. As a part of the Settlement Agreement, that claim amount has been agreed to be withdrawn from the bankruptcy proceedings and therefore as a Trust obligation, so there is no longer any required payback to the purchaser of the debtor's properties because of the Settlement Arrangement. Accordingly, the previous allowance is no longer necessary.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

There are no asserted or unasserted claims or assessments against the Company which at this time would materially affect the Company's financial position or results of operations, except the Civil Action and Adversary Proceeding described in Item 3, "Legal Proceedings", to the Company's Annual Report on Form 10-K for the year ended November 30, 1991 for which a settlement agreement was executed on March 18, 1992 and filed on Form 8-K with the Securities and Exchange Commission on March 20, 1992.

Based on the assumption that the Settlement Agreement will receive Bankruptcy Court approval, Columbus has proceeded with the preparation and filing of a registration statement covering the Trust's 1,029,232 shares of common stock. At such time as the statement becomes effective, then the terms of the Agreement can be completed and the litigation dismissed with prejudice. The Trustee will sell 229,232 shares of the Trust's registered common stock at $5.25 per share to third parties who are to be found by Columbus and will thereafter distribute the Trust's remaining 800,000 shares to its beneficiaries who were creditors of the bankrupt Consolidated. This 35% stock ownership in Columbus represents the creditors' principal source of recovery on their claims. The Company will bear all expenses in connection with the registration process and will pay $50,000 of the Trust's expenses. Under certain circumstances, Columbus may purchase as treasury stock a portion of, or all of, the 229,232 shares of common stock being sold by the Trust to third parties.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports on 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COLUMBUS ENERGY CORP.
(Registrant)

Harry A Trueblood

DATE: April 13, 1992

Harry A. Trueblood, Jr.
Chairman, President and
Chief Executive Officer
(a duly authorized officer)

Ronald H Beck

DATE: April 13, 1992

Ronald H. Beck
Vice President and Treasurer
(Chief Accounting Officer)

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly period ended February 28, 1992, or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition period from _____ to _____

Commission File number 0-14996

APR 14

CRYENCO SCIENCES, INC.
(Exact name of registrant as specified in its charter)

4/15

Delaware	52-1471630
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

c/o Charterhouse Group International, Inc.
535 Madison Avenue - 28th Floor
New York, New York 10022
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 212-421-3125

None
(Former name and/or address and former fiscal year, if changes)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes ___ No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, par value $.01 per share; 7,664,505 shares outstanding as of April 13, 1992.

CRYENCO SCIENCES, INC. AND SUBSIDIARY
(FORMERLY CRYENCO HOLDINGS, INC. AND SUBSIDIARY AND THEIR PREDECESSOR)

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CRYENCO SCIENCES, INC. AND SUBSIDIARY
(FORMERLY CRYENCO HOLDINGS, INC. AND SUBSIDIARY
AND THEIR PREDECESSOR)

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements.

Introductory Comments:

The Consolidated Financial Statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. It is suggested that these Consolidated Financial Statements be read in conjunction with the financial information set forth in the Company's Annual Report for the year ended June 30, 1991.

CRYENCO SCIENCES, INC.
AND SUBSIDIARIES
(Formerly Cryenco Holdings, Inc. and Subsidiary)
and Their Predecessor

Condensed Consolidated Balance Sheets

	Successor	
Assets	February 29, 1992 (Unaudited)	August 31, 1991
Current assets:		
Cash	$ 539,191	451,661
Trade accounts receivable	1,758,686	2,003,534
Accounts receivable from employees	1,330	10,385
Costs and estimated earnings in excess of billings on uncompleted contracts	4,995,577	4,141,181
Inventories (note 4)	2,791,792	1,846,040
Prepaid expenses	90,806	52,125
Total current assets	10,177,382	8,504,926
Property and equipment:		
Leasehold improvements	357,330	306,054
Machinery and equipment	1,466,707	1,263,073
Office furniture and equipment	97,816	69,364
	1,921,853	1,638,491
Less accumulated depreciation	(231,422)	–
	1,690,431	1,638,491
Deferred financing costs	711,807	745,800
Organizational costs	390,032	428,709
Goodwill	5,897,943	5,814,860
Other assets	62,767	70,737
	$ 18,930,362	17,203,523
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 686,009	514,405
Accounts payable	2,064,268	1,026,952
Accrued expenses	673,851	1,112,410
Customer deposits	71,939	29,852
Income taxes payable	301,604	1,061,212
Deferred income taxes	–	96,260
Total current liabilities	3,797,671	3,841,091
Deferred income taxes	3,545	3,545
Long-term debt, less current portion	11,638,519	10,058,887
Stockholders' equity:		
Common stock, par value $.01 per share:		
Class A, authorized 23,500,000 shares, issued and outstanding 7,664,505 shares	76,645	76,645
Class B, authorized 1,500,000 shares, none issued and outstanding	–	–
Additional paid-in capital	3,223,355	3,223,355
Retained earnings	190,627	–
	3,490,627	3,300,000
	$ 18,930,362	17,203,523

See accompanying notes to condensed consolidated financial statements.

CRYENCO SCIENCES, INC.
AND SUBSIDIARIES
(Formerly Cryenco Holdings, Inc. and Subsidiary)
and Their Predecessor

Condensed Consolidated Statements of Operations

(Unaudited)

	Successor Three months ended February 29, 1992	Predecessor Three months ended February 28, 1991	Successor Six months ended February 29, 1992	Predecessor Six months ended February 28, 1991
Contract revenue	$ 4,890,158	6,419,020	$ 9,072,439	10,797,126
Cost of revenue	3,591,389	5,476,641	6,738,613	9,040,754
Gross profit	1,298,769	942,379	2,333,826	1,756,372
Selling, general, and administrative	531,318	477,785	1,093,563	834,845
Amortization expense	97,434	11,168	187,987	22,335
Operating income	670,017	453,426	1,052,276	899,192
Other expenses (income):				
Interest expense	298,068	125,538	569,696	253,592
Merger – related expenses	89,869	–	89,869	–
Other nonoperating expense (income), net	12,514	–	16,544	(2,805)
Income before income taxes	269,566	327,888	376,167	648,405
Income tax expense	137,452	131,154	185,540	259,341
Net income	$ 132,114	196,734	$ 190,627	389,064
Earnings per common and common equivalent share	$ .02		$ .02	
Weighted average common and common equivalent shares outstanding	8,958,965		8,958,965	

See accompanying notes to condensed consolidated financial statements.

CRYENCO SCIENCES, INC.
AND SUBSIDIARIES
(Formerly Cryenco Holdings, Inc. and Subsidiary)
and Their Predecessor

Condensed Consolidated Statement of Stockholders' Equity

(Unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Total
Balance at September 1, 1991	$ 76,645	3,223,355	–	3,300,000
Net income	–	–	190,627	190,627
Balance at February 29, 1992	$ 76,645	3,223,355	190,627	3,490,627

See accompanying notes to condensed consolidated financial statements.

CRYENCO SCIENCES, INC.
AND SUBSIDIARIES
(Formerly Cryenco Holdings, Inc. and Subsidiary)
and Their Predecessor

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Successor Six months ended February 29, 1992	Predecessor Six months ended February 28, 1991
Operating activities:		
Net income	$ 190,627	389,064
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	231,422	204,630
Amortization expense	187,987	22,336
Reduction in deferred income taxes	(96,260)	–
Changes in operating assets and liabilities:		
Decrease in accounts receivable	253,903	1,237,988
Increase in costs and estimated earnings in excess of billings on uncompleted contracts	(854,396)	(1,447,058)
Decrease (increase) in inventories	(945,752)	1,079,654
Increase in prepaid expenses and other assets	(30,711)	(4,950)
Increase (decrease) in accounts payable	1,037,316	(649,110)
Increase (decrease) in accrued expenses, net of warranty provision	(438,559)	252,627
Increase in customer deposits	42,087	–
Decrease in income taxes payable	(759,608)	(478,047)
Net cash provided by (used by) operating activities	(1,181,944)	607,134
Investing activities:		
Purchases of property and equipment	(283,362)	(103,044)
Acquisition costs	(162,400)	–
Net cash used by investing activities	(445,762)	(103,044)
Financing activities:		
Proceeds from long-term debt, net of expenses	1,876,236	–
Principal payment of long-term debt	(125,000)	(51,901)
Debt issuance costs	(36,000)	–
Redemption of preferred stock	–	(359,343)
Net cash provided by (used in) financing activities	1,715,236	(411,244)
Increase in cash	87,530	92,846
Cash at beginning of period	451,661	94,804
Cash at end of period	$ 539,191	187,650
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 1,041,408	199,600
Cash paid for interest	$ 348,276	249,011

See accompanying notes to condensed consolidated financial statements.

CRYENCO SCIENCES, INC.
AND SUBSIDIARIES
(Formerly Cryenco Holdings, Inc. and Subsidiary)
and Their Predecessor

Notes to Condensed Consolidated Financial Statements

(1) Acquisition, Merger and Basis of Presentation

Effective August 30, 1991, Cryenco Holdings, Inc. (CHI or Successor) acquired, through its wholly owned subsidiary, CRYENCO, INC., all the outstanding common stock of Cryogenic Energy Company dba CRYENCO, INC. (Predecessor) for an investment of $3,300,000 (the Acquisition). The business combination has been accounted for as a purchase. As a result of the Acquisition, the financial information for the periods after the Acquisition is presented on a different cost basis than that for the periods before the Acquisition and, therefore, is not comparable.

Effective February 11, 1992, CHI was merged with and into Gulf & Mississippi Corporation (G&M) pursuant to a Merger agreement (the Merger). Upon consummation of the Merger, G&M changed its name to Cryenco Sciences, Inc. (the Company). The Merger has been accounted for as a reverse acquisition, whereby CHI is considered to be the acquiror of G&M for accounting and financial reporting purposes, using the "purchase" method, as such term is defined under generally accepted accounting principles.

The following unaudited pro forma summary presents the results of operations of the Predecessor as if the Acquisition and Merger had occurred on September 1, 1990 and of the Successor as if the Merger had occurred on September 1, 1991:

	Successor Three months ended February 29, 1992	Predecessor Three months ended February 28, 1991	Successor Six months ended February 29, 1992	Predecessor Six months ended February 28, 1991
Revenue	$ 4,890,158	$ 6,419,020	$ 9,072,439	$ 10,797,126
Net income (loss)	$ 128,195	$(46,830)	$ 182,789	$(98,064)
Net income (loss) per common and common equivalent share	$ .01	$(.01)	$ .02	$(.02)

The pro forma results do not necessarily represent results which would have occurred if the Acquisition and Merger had taken place on the dates indicated nor is it necessarily indicative of the results of future operations.

The condensed consolidated balance sheet as of February 29, 1992 and the related condensed consolidated statements of operations for the three months and six months ended February 29, 1992 and February 28, 1991, condensed consolidated statement of stockholders' equity for the six months ended February 29, 1992, and condensed consolidated statements of cash flows for the six months ended February 29, 1992 and February 28, 1991 are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments consisted only of normal recurring items. The financial statements and notes are presented as permitted by Form 10-Q, and do not contain information included in the Company's annual financial statements and notes. These financial statements should be read in conjunction with the Company's annual financial statements as included in Form S-4 filed pursuant to the Securities Exchange Act of 1933. The condensed consolidated balance sheet as of August 31, 1991 has been derived from the audited balance sheet.

In connection with the Merger, common stock was recapitalized whereby the number of authorized, issued and outstanding shares was amended. The August 31, 1991 condensed consolidated balance sheet has been retroactively restated to reflect this recapitalization and the computation of earnings per share is based on the recapitalized structure.

(2) Earnings per Common and Common Equivalent Share

Earnings per common and common equivalent share for the three months and the six months ended February 29, 1992 were computed by dividing net earnings attributable to common shareholders by the weighted average number of common and common equivalent shares outstanding (8,958,965 for the three months and the six months ended February 29, 1992)

(3) Options and Warrants

Upon consummation of the Merger, the outstanding warrants of CHI were converted into warrants to purchase 394,911 shares of Class A Common Stock and 1,086,770 shares of Class B Common Stock at $.43056 per share (the original warrants). Subsequent to February 29, 1992, the Company issued warrants to purchase 76,645 shares of Class B Common Stock at $2.50 per share (the new warrants) to the holders of the original warrants in exchange for the removal of a feature of the original warrants whereby the holders had the option to require the Company to purchase the warrants or the stock issued pursuant to the warrants. The holders of the original warrants, as amended, and the new warrants have a "cashless exercise" right, wherein in order to remit the exercise price, the holder may reduce the number of shares to be received to pay the exercise price, such reduction to be in an amount equal to the exercise price to be paid divided by the then fair market value per share. The warrants expire August 30, 2003.

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Upon consummation of the Merger, 260,000 outstanding options and warrants to acquire shares of G&M were converted into options and warrants to purchase the same number of Class A Common Stock of the Company. Warrants to purchase 200,000 shares at $.43056 per share are exercisable and expire July 9, 1995 and options to purchase 60,000 shares at $8.00 per share are exercisable prior to November 6, 1996.

Upon the exercise of the warrants to purchase 200,000 shares, the Company is required to issue 38,664 additional warrants to certain lenders at the same exercise price and terms.

(4) Inventories

At February 29, 1992 and August 31, 1991, inventories consist of:

	February 29, 1992	August 31, 1991
Raw materials	$ 1,536,932	1,504,080
Finished goods and work-in-process	1,300,900	394,911
	2,837,832	1,898,991
Less reserve for obsolescence	(46,040)	(52,951)
	$ 2,791,792	1,846,040

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Contract revenue for the second quarter of the 1992 fiscal year, which ended February 29, 1992, decreased by 23.8%, or $1,528,862, from the same period during the 1991 fiscal year. Contract revenue for the first six months of the 1992 fiscal year decreased by 16.0%, or $1,724,687, from the same period during the 1991 fiscal year. This decrease is primarily attributable to management's decision to discontinue a low margin product line and the completion of certain government contracts for liquid oxygen and liquid nitrogen containment systems.

In the second half of the 1992 fiscal year, the Company expects to exceed the contract revenue which it recognized during the first half of the fiscal year, and total contract revenue for the 1992 fiscal year is projected to exceed that of fiscal 1991. During the first half of the 1992 fiscal year, the Company started manufacturing cryogenic trailers, which is a new market for the Company and contributed approximately $510,000 to contract revenue. The contribution to contract revenue, for this product line, is expected to increase in future periods. Backlog, which continues to remain strong, was approximately $9.4 million at February 29, 1992.

Gross profit for the second quarter of the 1991 fiscal year increased to $1,298,769 from $942,379 for the same period during the 1991 fiscal year while gross profit, as a percentage of contract revenue, improved to 26.6% from 14.7%, respectively. For the first six months of the 1992 year, gross profit increased to $2,333,826 compared to $1,756,372 for the same period during the 1991 fiscal year and, as a percentage of contract revenue, improved to 25.7% from 16.3%, respectively. These improvements reflect the results of discontinuing its low margin product line, more efficient utilization of manufacturing facilities and a more favorable product mix.

Selling, general and administrative expense, as a percentage of contract revenue, was 10.9%, or $531,318, for the second quarter of the 1992 fiscal year compared to 7.4%, or $477,785, for the same period during the 1991 fiscal year. For the first six months during the 1992 fiscal year, selling, general and administrative expense, as a percentage of contract revenue, was 12.0%, or $1,093,563, as compared to 7.7%, or $834,845, for the first six months during the 1991 fiscal year. This increase resulted from the additional expenses relating to the expansion of the sales and marketing force, which management implemented to position itself to meet the substantial opportunities which the company foresees in the near future. In addition, $54,000 of research and development costs was expensed during the first quarter of the current fiscal year.

Amortization expense increased to $97,434 from $11,168 for the second quarter of the 1992 fiscal year as compared to the same period in the 1991 fiscal year. For the six months ended February 29, 1992, amortization expense increased to $187,987 from $22,335 for the six months ended February 28, 1991. This additional amortization resulted from goodwill and capitalized debt issuance and organizational costs relating to the August 31, 1991 acquisition of Cryenco, Inc. (see note 1 to the Condensed Consolidated Financial Statements). Prior to the acquisition, there was insignificant amortization of goodwill and debt issuance.

Operating earnings increased 47.8% from $453,426 in the second quarter of the 1991 fiscal year to $670,017 for the same period during the 1992 fiscal year. For the first six months of the 1992 fiscal year, operating earnings were $1,052,276 compared with $899,192 for the first six months during the 1991 fiscal year. This increase in operating income resulted from the Company's improved gross profit, due primarily to it's more favorable product mix, which more than offset the increased selling, general and administrative and amortization expense of the Company.

In the first six months of the 1992 fiscal year, the Company incurred $89,869 of merger related costs, as a result of the February 11, 1992 merger of Cryenco Holdings, Inc. with and into Gulf & Mississippi Corporation which subsequently changed its name to Cryenco Sciences, Inc. (see note 1 to the Condensed Consolidated Financial Statements). These costs were expensed into the period in which they occurred and will not affect future earnings.

For the second quarter of the 1992 fiscal year, interest expense was $298,068 as compared to $125,538 for the same period during the 1992 fiscal year, while interest expense for the first six months of the 1992 fiscal year was $569,696 as compared to $253,592 for the same period during the 1992 fiscal year. This increase was the result of the incurrence by the Company of $10,550,000 in acquisition debt required to finance the August 31, 1991 acquisition of Cryenco, Inc.

The effective income tax rate for the Company was 51.0% for the second quarter of the 1992 fiscal year, and 49.3% for the first six months during the 1992 fiscal year, compared to 40% for both the second quarter and the first six months during the 1991 fiscal year. This increase primarily reflects increased non-deductible amortization expense.

Net income for the second quarter of the 1992 fiscal year was $132,114 compared to $196,734 for the same period during the 1991 fiscal year. For the first six months of the 1992 fiscal year net income was $190,627 compared to $389,064 for the

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first six months during the 1991 fiscal year. The changes in net income occurred as a result of the cumulative effect of the factors described above.

Liquidity and Capital Resources

Cryenco funds its working capital and capital expenditure needs from internally-generated funds and pursuant to a Credit Agreement with Chemical Bank, as agent for the lenders named therein including Chemical, which includes both a $7,250,000 term loan and a revolving credit facility permitting borrowings of up to $3,000,000 (the "Revolving Credit Facility") based upon inventory and receivable levels. Until May 31, 1992, Cryenco may borrow an additional $250,000 under the Revolving Credit Facility in excess of the formula-determined borrowing limit thereunder.

During the six months ended February 29, 1992, the Company borrowed $1,700,000 on its revolving credit facility, in addition to the initial $1,100,000 which it borrowed to finance the August 31, 1991 acquisition. This additional borrowing financed the net working capital needs of the Company, as well as a tax payment of approximately $1,040,000 and approximately $280,000 in capital expenditures.

Costs and estimated earnings in excess of billings on uncompleted contracts increase by $854,396 during the six months ended February 29, 1992. Approximately $670,000 of this increase is for contracts which are in process. Shipment of these products will begin in May of 1992 and be completed by the 1992 fiscal year end.

During the six months ended February 29, 1992, inventory increased by $945,752. This increase is in piece parts and work in process inventory, most of which will be used in production for the current fiscal year.

The Company believes that Cryenco's need for funds for its working capital and capital expenditure requirements in the foreseeable future will be sufficiently met by its cash generated from operations and its borrowing capacity under the Credit Agreement.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Reports on Form 8-K - The Registrant filed one Current Report on Form 8-K during the quarter for which this Report is being filed. Such current report, which is dated February 20, 1992, included disclosure in Items 1 and 7 relating to a change in control of the registrant resulting from the consummation of a merger involving the registrant as described therein.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CRYENCO SCIENCES, INC.

By: A. Murray
Alison Murray,
Treasurer

April 13, 1992

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended February 28, 1992 Commission File No. 0-15587

EA Engineering, Science, and Technology, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	52-0991911 (IRS Employer Identification No.)

11019 McCormick Road, Hunt Valley, Maryland 21031
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number including area code (410) 584-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No __

Number of Shares of Registrant's Common Stock Outstanding at April 13, 1991 2,458,606.

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EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

The consolidated financial statements included herein for EA Engineering, Science, and Technology, Inc. & Subsidiaries (the "Company") have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In management's opinion, the interim financial data presented includes all adjustments (which include only normal recurring adjustments) necessary for a fair presentation. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to understand the information presented. It is suggested that these consolidated financial statements be read in conjunction with the Company's August 31, 1991 consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K dated November 22, 1991.

EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	February 28, 1992 (Unaudited)	August 31, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,110,400	$ 1,393,000
Accounts receivable, net	15,051,500	13,882,700
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 1)	6,432,300	9,852,900
Prepaid expenses and other	1,600,600	978,000
Total Current Assets	24,194,800	26,106,600
PROPERTY AND EQUIPMENT, at cost (Note 1):		
Furniture, fixtures and equipment	11,493,700	11,118,500
Leasehold improvements	3,358,900	3,283,200
	14,852,600	14,401,700
Less-Accumulated depreciation and amortization	(10,027,600)	(9,379,700)
Net Property and Equipment	4,825,000	5,022,000
OTHER ASSETS, net of amortization (Note 6)	1,287,400	2,112,100
Total Assets	$30,307,200	$33,240,700

The accompanying notes are an integral part of these balance sheets.

EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	February 28, 1992 (Unaudited)	August 31, 1991
CURRENT LIABILITIES:		
Short-term borrowings (Note 2)	$ 6,605,000	$ 8,346,400
Current portion of long-term debt	617,600	476,100
Accounts payable	3,129,600	3,813,500
Accrued expenses	1,218,000	858,300
Accrued salaries, wages and benefits	2,997,700	2,757,600
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 1)	1,000,800	834,300
Total Current Liabilities	15,568,700	17,086,200
LONG-TERM DEBT, net of current portion	2,745,200	2,866,100
COMMITMENTS AND CONTINGENCIES (Note 3)		
STOCKHOLDERS' EQUITY (Note 5):		
Common stock, $.01 par value; 10,000,000 shares authorized; 2,575,506 shares issued	25,800	25,700
Preferred stock, $.01 par value; 8,000,000 shares authorized; none issued	--	--
Capital in excess of par value	8,769,100	8,725,500
Retained earnings	3,763,000	5,101,800
Less: Treasury stock, 116,900 shares at cost	(564,600)	(564,600)
Total Stockholders' Equity	11,993,300	13,288,400
Total Liabilities and Stockholders' Equity	$ 30,307,200	$ 33,240,700

The accompanying notes are an integral part of these balance sheets.

EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended February 28,		Six Months Ended February 28,	
	1992	1991	1992	1991
Total revenue (Note 1)	$12,587,900	$12,838,000	$26,765,000	$25,937,700
Less: Subcontractor costs	1,813,300	1,729,400	3,928,400	3,935,900
Net revenue	10,774,600	11,108,600	22,836,600	22,001,800
Operating expenses:				
Direct salaries and other operating	10,101,300	9,306,000	20,287,900	18,676,400
General and administrative	1,809,800	1,462,900	3,356,900	2,633,500
Restructuring (Note 6)	619,000	--	619,000	--
Total operating expenses	12,530,100	10,768,900	24,263,800	21,309,900
Income (loss) from operations	(1,755,500)	339,700	(1,427,200)	691,900
Other income and expense:				
Interest income	53,100	39,100	100,200	52,300
Interest expense	(277,400)	(166,700)	(581,800)	(378,600)
Other income and expense, net	(224,300)	(127,600)	(481,600)	(326,300)
Income (loss) before income taxes	(1,979,800)	212,100	(1,908,800)	365,600
Provision for (benefit from) income taxes	(598,400)	84,900	(570,000)	146,300
Net income (loss)	$ (1,381,400)	$ 127,200	$ (1,338,800)	$ 219,300
Net income (loss) per share (Note 4)	$(0.56)	$0.05	$(0.54)	$0.09
Weighted average shares outstanding	2,476,100	2,451,500	2,476,100	2,451,500

The accompanying notes are an integral part of these statements.

EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended February 28,	
	1992	1991
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Net income (loss)	$(1,338,800)	$ 219,300
Noncash expenses included in net income (loss)-		
Depreciation and amortization	1,411,700	857,700
Net (increase) decrease in noncash assets -		
Accounts receivable, net	(1,168,800)	3,595,900
Costs and estimated earnings in excess of billings on uncompleted contracts	3,420,600	(966,200)
Prepaid expenses and other	163,000	(398,100)
Net increase (decrease) in nondebt liabilities-		
Accounts payable and accrued expenses	(84,100)	5,100
Income taxes paid	(62,100)	(719,100)
Provision for (benefit from) income taxes	(570,000)	146,300
Billings in excess of costs and estimated earnings on uncompleted contracts	166,500	195,000
Deferred income, net	--	(13,500)
Net cash flows from (used for) operating activities	1,938,000	2,922,400
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:		
Short-term borrowings, net of repayments	(1,741,400)	(2,246,100)
Proceeds from issuance of long-term debt	217,700	1,748,700
Reduction of long-term debt	(197,100)	(320,900)
Proceeds from issuance of common stock	43,700	--
Net cash flows from (used for) financing activities	(1,677,100)	(818,300)
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:		
Purchase of property and equipment, net	(543,500)	(2,096,100)
Net cash flows from (used for) investing activities	(543,600)	(2,096,100)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(282,600)	8,000
CASH AND CASH EQUIVALENTS, beginning of period	1,393,000	1,211,100
CASH AND CASH EQUIVALENTS, end of period	$ 1,110,400	$ 1,219,100

The accompanying notes are an integral part of these statements.

EA ENGINEERING, SCIENCE, AND TECHNOLOGY, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED FEBRUARY 28, 1992 AND 1991
(Unaudited)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation--

The accompanying consolidated financial statements present the accounts of EA Engineering, Science, and Technology, Inc. (EA) and its wholly-owned subsidiaries EA Remediation Technologies, Inc. (EA RTI) and EA Financial, Inc. The entities are collectively referred to herein as the "Company." All significant intercompany transactions have been eliminated in consolidation.

Revenue Recognition--

The Company is a multidisciplinary environmental services and consulting engineering organization providing a wide range of consulting, engineering, remediation, and analytical services. These services are generally performed under time and material, fixed price and cost plus fixed fee contracts which vary in length from one month to two years.

The Company accounts for contract revenues and costs under fixed price contracts using the percentage-of-completion method. The percentage-of-completion is determined using the "cost-to-cost" method for each contract cost component. Under this method, direct labor and other contract costs incurred to date are compared to periodically revised estimates of the total of each contract cost component at contract completion to determine the percentage of revenues to be recognized. Revenues from time and material and cost plus fixed fee contracts are recognized currently as the work is performed. Provision for estimated losses on uncompleted contracts, to the full extent of the loss, is made during the period in which the Company first becomes aware that a loss on a contract is probable.

Contract costs and estimated earnings recognized in excess of amounts billed are classified as current assets under "costs and estimated earnings in excess of billings on uncompleted contracts." Billings in excess of contract costs and estimated earnings are classified as current liabilities under "billings in excess of costs and estimated earnings on uncompleted contracts."

Generally, contracts provide for the billing of costs incurred and estimated fees on a monthly basis. Amounts included in "costs and estimated earnings in excess of billings on uncompleted contracts" in the accompanying financial statements will be billed within twelve months of the balance sheet date.

Property and Equipment--

Property and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 10 years.

Segment Information--

The Company operates within one industry segment, providing a wide range of consulting, engineering, remediation, and analytical services.

Reclassifications--

Certain prior year balances have been reclassified to conform with current year presentation.

Note 2. SHORT-TERM BORROWINGS:

EA maintains a $12,500,000 revolving line of credit arrangement with a bank. Borrowings under this arrangement bear interest at the bank's prime interest rate. Borrowings information for the six months ended February 28, 1992 and 1991 is as follows:

	Six Months Ended February 28,	
	1992	1991
Balance as of end of period	$ 6,605,000	$4,701,400
Maximum amount outstanding during the period	10,561,600	8,854,500
Average outstanding month-end balance during the period	8,156,600	4,794,900
Weighted average interest rate during the period	7.4%	9.8%

Note 3. COMMITMENTS AND CONTINGENCIES:

Lease Commitments --

EA's central office, laboratory facilities, and regional offices and certain furniture and equipment are held under operating leases. These leases expire at various dates through fiscal 2002. Certain of the leases call for proportionate increases due to property taxes and certain other expenses.

On December 1, 1991, the Company renewed its lease for its Sparks, Maryland, location with a partnership consisting of the Chairman of EA and certain members of his family for a term of 10 years with an option to renew for an additional five-year period.

The minimum lease commitments under noncancellable operating leases are as follows:

Year Ending August 31,	
1992	$3,919,600
1993	2,853,200
1994	2,009,000
1995	1,473,500
1996	1,075,600
1997 and thereafter	5,186,100
Total minimum payments	$16,517,000

Contingencies--

A review of the Company's tax filings by the Internal Revenue Service has resulted in a settlement of approximately $100,000 which is reflected in the accompanying financial statements as of February 28, 1992.

Note 4. NET INCOME (LOSS) PER SHARE:

Net income (loss) per share amounts are based on the weighted average number of shares of common stock and common stock equivalents outstanding during the period.

Note 5. STOCK OPTION AND EMPLOYEE STOCK PURCHASE PLANS:

The Company maintains a Stock Option Plan (the "Plan"), which provides for the grant of non-qualified stock options to certain key employees and officers of the Company. A total of 300,000 shares of Common Stock have been reserved for issuance under the Plan of which options for 158,000 shares were outstanding as of February 28, 1992. The exercise price of the outstanding options as of February 28, 1992 was between $4.50 and $8.56 per share. The exercise price of an option granted under the Plan may not be less than the fair market value of the underlying shares of Common Stock on the date of the grant. Stock appreciation rights may be granted only in tandem with the grant of an option.

On April 1, 1988, EA adopted the 1988 Non-Employee Director Stock Option Plan which provided for the granting of nonqualified stock options for a total of 6,000 shares of Common Stock to three of its non-employee directors. The exercise price of the options, all of which were outstanding as of February 28, 1992, was $6.75 which equaled the fair market value at the date of grant.

On December 1, 1991, the Company adopted an Employee Stock Purchase Plan to provide eligible employees with the opportunity to purchase shares of the Company's Common Stock through voluntary payroll deductions. A total of 250,000 shares of Common Stock have been reserved for issuance. Under the Plan, eligible employees may purchase shares through monthly payroll deductions at 95% of current market value at the time of purchase. The Company pays all administrative expenses related to employee purchases. As of February 28, 1992, approximately 7,100 shares were issued under the Plan.

Note 6. COMPANY RESTRUCTURING:

During the second quarter, the Company commenced a major organizational realignment by restructuring its operations into national businesses representing its major services to clients.

The restructuring included a review of all of the Company activities and resulted in the decentralization of select corporate activities and the elimination of certain services not expected to contribute to the future strategic objectives of the Company, including the sale of certain assets and activities formerly associated with the building systems group of EA Mueller.

The restructuring expenses include the write-off of certain intangible assets and accruals for other anticipated expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company's results of operations are significantly affected by the timing of the award of contracts, the timing of performance on contracts, and the extent to which the Company's employees are performing on contracts as opposed to engaging in other required tasks. Due to these factors, the results of operations for interim periods are not necessarily indicative of the results of operations for longer periods and interim period comparisons may not be as meaningful as comparisons over longer periods.

Three Months Ended February 28, 1992 -

Net revenue for the three months ended February 28, 1992 was $10,774,600, a decrease of 3.0% in net revenue from $11,108,600 for the same period in 1991. The decrease was due to national recessionary pressures impacting the environmental services marketplace.

Direct salaries and other operating costs increased 8.5% to $10,101,300 from $9,306,000, and to 93.8% from 83.8% as a percentage of net revenue for the three months ended February 28, 1992 and 1991, respectively. The increase as a percentage of net revenue was attributable to decreased availability of contract activity at certain of the Company's locations. Several of the Company's locations were also involved in higher than normal proposal activities.

General and administrative costs increased to $1,809,800 from $1,462,900, representing 16.8% and 13.2% of net revenue, respectively. This increase was related primarily to additional personnel costs associated with national marketing, organizational planning, and information systems activities.

During the second quarter, the Company commenced a major organizational realignment by restructuring its operations into national businesses representing its major services to clients. The restructuring included a review of all of the Company activities and resulted in the decentralization of select corporate activities and the elimination of certain services not expected to contribute to the future strategic objectives of the Company, including the sale of certain assets and activities formerly associated with the building systems group of EA Mueller. The restructuring expenses include the write-off of certain intangible assets and accruals for other anticipated expenses.

As a result of the above factors, the loss from operations for the three months ended February 28, 1992, was $1,755,500 or 16.3% of net revenue compared to income from operations of $339,700 or 3.1% of net revenue for the three months ended February 28, 1991. Other, net expense increased to $224,300 from $127,600 in the prior year. The net increase in expense is primarily due to higher interest expense resulting from increases in the Company's short-term borrowings and debt financing used for capital and laboratory expansion activities.

The (benefit from) provision for income taxes was $(598,400) and $84,900 for the three months ended February 28, 1992 and 1991, representing effective rates of 30.0% and 40.0%, respectively. The lower effective rate for 1992 results from the non-deductible writeoff of goodwill and reflects a settlement with the IRS related to a review of the Company's tax filings.

Net loss for the three months ended February 28, 1992 was $1,381,400 or 12.8% of net revenue versus net income for the three months ended February 28, 1991 of $127,200 or 1.1% of net revenue.

Six months ended February 28, 1992 -

Net revenue for the six months ended February 28, 1992 was $22,836,600, an increase of 3.8% over net revenue of $22,001,800 for the same period in 1991. The slowed growth rate in net revenue over the prior six-month period is due to continued national recessionary pressures.

Direct salaries and other operating costs increased to $20,287,900 from $18,676,400 and increased as a percentage of net revenue to 88.8% from 84.9% for the six months ended February 28, 1992 and 1991, respectively. This increase as a percentage of net revenue is related primarily to decreased availability of contract activity particularly during the second quarter at certain of the Company's locations. Several of the Company's locations were also involved in higher than normal proposal activities.

General and administrative costs increased to $3,356,900 from $2,633,500 representing 14.7% and 12.0% of net revenue, respectively. This increase was related primarily to additional personnel costs associated with national marketing, organizational planning, and information systems activities.

As a result of the above factors, loss from operations for the six months ended February 28, 1992 was $1,427,200 compared to income from operations of $691,900 for the six months ended February 28, 1991. Other, net expense increased to $481,600 from $326,300 in the prior year. The net increase in expense is primarily due to the increase in short-term borrowings and debt financing used for capital and laboratory expansion activities.

The (benefit from) provision for income taxes was $(570,000) and $146,300 for the six months ended February 28, 1992 and 1991, representing effective rates of 30.0% and 40.0%, respectively. The lower effective rate for 1992 results from the non-deductible writeoff of goodwill and reflects a settlement with the IRS during the second quarter.

Net loss for the six months ended February 28, 1992 was $1,338,800 versus net income for the six months ended February 28, 1991 of $219,300.

In February 1992, the Financial Accounting Standards Board issued a new standard on accounting for income taxes. Under the standard, deferred tax liabilities must be carried at enacted tax rates rather than the rates in effect when the liabilities were incurred. The Company is required to adopt the new accounting standard no later than its fiscal year ending August 31, 1994, although earlier implementation is permitted. Any adjustment that may result from the adoption of the new standard may be reported in the year the standard is implemented or in an earlier year if the Company elects retroactive application.

The Company expects to adopt the new standard effective during fiscal 1994, and does not plan to restate prior periods. Based on current tax rates and a preliminary review, management expects that implementation of the new standard will not have a material effect on net income.

Liquidity and Capital Resources

The Company finances its operations principally through cash flow from operations and bank financing. Funds have been used to finance growth in receivables and other operating activities. The Company's capital expenditures, consisting primarily of purchases of equipment and leasehold improvements, were approximately $543,500 and $2,096,100 for the six months ended February 28, 1992 and 1991, respectively.

At February 28, 1992, the Company had outstanding long-term debt totaling $3,362,800, which represented a net increase of $20,600 from the August 31, 1991 balance of $3,342,200.

Stockholders' equity decreased by approximately $1,295,100 to $11,993,300 as the result of the net loss of $1,338,800 and stock issuance of $43,700 for the six months ended February 28, 1992.

The Company's existing funds, primarily short-term investments, cash generated from operations, leasing, and the unused portion of its $12.5 million bank line of credit, are expected to be sufficient to meet the Company's present and reasonably foreseeable cash needs. Specifically, the Company has approximately $1.5 million in existing loan availability for future purchases of leases of capital equipment, and in general, the Company has access to capital equipment financing arrangements through various suppliers.

While the Company believes that there is sufficient market demand to absorb its contracting capacity, there can be no assurance that this demand will continue to exist. Although the Company has the ability to reduce its professional staff in periods of reduced demand, it may choose not to make full reductions in such periods, with resulting adverse effects on operations.

PART II - OTHER INFORMATION

Item 6

(a) Exhibits

None

(b) Reports on Form 8-K

None

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EA Engineering, Science, and
Technology, Inc. & Subsidiaries
(Registrant)

April 13, 1992

By: ______________________
(Signature)

Edward V. Lower

President and
Chief Operating Officer
(Title)

April 13, 1992

By: ______________________
(Signature)

Joseph A. Spadaro

Executive Vice President,
Chief Financial Officer
(Title)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended: **FEBRUARY 29, 1992**

Commission File Number: **0-11419**

Family Health Systems, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

22-2435595
(I.R.S. Employer Identification No.)

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Post Office Box 151, Wellsburg, WV 26
Address of principal executive offices incorporation or organization)

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(304) 737-0681
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES x NO____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	No. of Shares Outstanding on FEBRUARY 29, 1992
Common Stock par value $.00167 per share	18,293,706

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FAMILY HEALTH SYSTEMS, INC.
CONDENSED BALANCE SHEET

ASSETS

	February 29, 1992	November 30, 1991
(Unaudited)		
Current assets:		
Cash	$ 161	$ 429
Notes receivable	31,372	31,872
Investments	40,656	40,656
Total assets	$ 72,189	$ 72,957

LIABILITIES & STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable, accrued expenses, and taxes payable	$ 3,900	$ 3,900
Total liabilities	$ 3,900	$ 3,900
Stockholders' equity:		
Common stock, par value $.00167 per share, 25,000,000 shares authorized, 18,293,706 shares outstanding	$ 31,646	$ 31,646
Capital in excess of par value	2,773,699	2,773,699
Retained earnings (deficit)	(2,587,056)	(2,586,288)
	$ 218,289	219,057
Less treasury stock at cost 1,500,000 shares	$ (150,000)	(150,000)
Total stockholders' equity	$ 68,289	69,057
Total liabilities and stockholders' equity	$ 72,189	72,957

See notes to condensed financial statements.

FAMILY HEALTH SYSTEMS, INC.
CONDENSED STATEMENT OF INCOME (LOSS) FOR THE QUARTERS ENDED February 29, 1992 AND February 28, 1991
(UNAUDITED)

	1992	1991
Gross revenues	$ NONE	$ 5,670
Expenses	768	7,685
Income (loss) before income taxes	$ (768)	$ (2,015)
Net income (loss)	(768)	(2,015)
Average number of common shares outstanding	18,293,706	14,850,000
Net income (loss) per share	$ --	--

See notes to condensed financial statements.

FAMILY HEALTH SYSTEMS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

FEBRUARY 29,1992

NOTE-BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulations S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of the results for the second quarter of fiscal year 1992 have been included. Operating results for the quarter ended February 29, 1991, are not necessarily indicative of the results that may be expected for the fiscal year ending August 31, 1992.

NOTE #1:

The condensed balance sheet of February 29,1992 has been derived from the balance sheet as of that date.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

(A) General Development of Business.

Family Health Systems, Inc. ("FHS" or the "Registrant") a

Delaware corporation, was incorporated on January 20, 1983. The Registrant was formed to provide comprehensive business services to physicians, dentists and professional corporations operating full service dental centers and emergency/industrial medical centers. FHS found this activity to be unprofitable and it exited the business services activity in fiscal year 1987 and became engaged in the formation, registration , distribution and sale of development stage companies.

FHS's last registration to become effective was for Rainshine Corporation for which it had filed a form S-1 Registration Statement with the United States Securities and Exchange Commission (SEC). The registration was ordered effective November 14, 1988. The registered shares together with common stock purchase warrants were distributed to all shareholders of FHS of record date August 31, 1988. Two million seven hundred thousand common shares and warrants were distributed to FHS shareholders as a dividend. Management has not found a suitable business combination for Rainshine but continues to investigate possible candidates.

Two additional form S-1 Registration Statements have been filed by FHS with the SEC for wholly owned subsidiaries of FHS, namely, Carol Lee Corporation and Bull Run Corporation. It is not known when or if the SEC will order those two registrations effective.

(B) Financial Information about Industry Segments

The Registrant is a one industry segment business currently engaged in the formation of development-stage companies.

(C) Description of Business

The Registrant currently is inactive in the formation of subsidiaries, registration of these stocks through filings with the Securities and Exchange Commission. Its activities are confined to finding a business combination for the two wholly owned subsidiaries that it has.

(D) Competition

Management is aware that other companies and individuals are also in the business of forming and registering new companies and it is reasonable to assume that some of them may be in a much better financial position than FHS to conduct the business.

In a market downturn such better financed competition could better weather such a downturn than FHS, however, management believes that it can compete with those who have greater resources based upon exceptional services and the development of a reputation for honorable dealing in the formation, registration and sale of its subsidiaries.

(E) Employees

FHS had no paid employees during the quarter.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

NONE

Item 2. Changing Securities

NONE

Item 3. Defaults Upon Senior Securities

There have been no defaults or arrearages by the Company in the payment of any senior securities of the Company or in the payment of any dividends, and there has been no delinquency with respect to any preferred stock of the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders, through solicitation of proxies or otherwise, during the quarter ended February 29, 1992.

Item 5. Other Information

NONE

Item 6. Exhibits and Reports on Form 8-K.

NONE

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FAMILY HEALTH SYSTEMS, INC.
(Registrant)

Dated:March 2, 1992

Donald Carman
(Signature)
DONALD C. CARMAN, President, Treasurer,
Principal Financial Officer and
Chairman of the Board Of Directors

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Securities and Exchange Commission
Washington, D.C. 20549

FORM 10 - Q

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For quarter ended February 29, 1992 Commission file number 98-0058505

Golden Quail Resources, Ltd.
(Exact name of registrant as specified in its charter)

Province of British Columbia, Canada (State or other jurisdiction of or organization)	98-0058505 (I.R.S. Employer Identification No.)
2141 Palomar Airport Rd., Suite 160 Carlsbad, California (Address of principal executive offices)	92009 (Zip Code)

Registrant's telephone number, including area code (619) 438-3300

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

As of February 29, 1992, the registrant has 12,198,301 shares of common stock, without par value, outstanding.

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PART I

Item 1. Financial Statements

Consolidated Balance Sheets as of February 29, 1992 (Unaudited) and February 28, 1991 (Unaudited).

Consolidated Statements of Operations and Deficit accumulated during the development stage for the three months and nine months ended February 29, 1992 and 1991 (Unaudited).

Consolidated Statements of Cash Flows for the nine months ended February 28, 1992 and 1991 (Unaudited).

Notes to the consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

PART II

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits - None

b) No form 8K reports were filed by the Registrant during the quarter ended February 29, 1992.

GOLDEN QUAIL RESOURCES LTD.
(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS

(Stated in U.S. Dollars)

	February 29 1992 (Unaudited) $	February 28 1991 (Unaudited) $
CURRENT ASSETS		
Cash	1,735	7,255
Receivables	16,532	12,686
Funds in trust	100,750	156,199
Marketable securities	-	77,680
Sundry deposits	3,000	5,600
Due from related company	-	44,560
Agreement receivable	637,500	-
Due from a director	22,949	-
	782,466	303,980
INVESTMENTS	257,100	-
PROPERTY, PLANT AND EQUIPMENT, at cost less accumulated depreciation	156,834	2,086,582
INTEREST IN MINERAL AND PETROLEUM PROPERTIES and related exploration and development expenditures	1,791,646	1,967,350
	2,988,046	4,357,912
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accruals	137,370	129,434
Due to related company	139,389	-
Current portion of long term debt	100,000	-
	376,759	129,434
LONG TERM DEBT	260,000	200,000
	636,759	329,434
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 2)	8,636,037	8,309,050
DEFICIT, accumulated during the development stage	(6,284,750)	(4,280,572)
	2,351,287	4,028,478
	2,988,046	4,357,912

APPROVED BY THE BOARD:

William A. Schoffer Director

Colin Dodd Director

GOLDEN QUAIL RESOURCES LTD.
(A Development Stage Company)

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE

(Stated in U.S. Dollars)

(Unaudited)

	3 months to Feb 29 1992 $	3 months to Feb 28 1991 $	9 months to to Feb 29 1992 $	9 months to Feb 28 1991 $	Cumulative from date of Incorporation (May 29, 1963) Feb 29 1992 $
GENERAL AND ADMINISTRATIVE EXPENDITURES					
Accounting and audit	2,500	850	9,893	8,450	164,791
Bad debts	-	-	-	-	29,328
Bank charges, interest, exchange	3,481	242	17,495	291	772,321
Consulting, finder's fees	-	100,000	153,262	100,000	329,102
Legal	(677)	13,695	41,944	16,695	387,164
Management, consulting, secretarial services	10,898	28,408	40,936	71,107	563,914
Office stationery, rent, printing, sundry	30,089	22,427	99,935	68,326	496,786
Public relations	13,599	7,961	45,162	7,961	99,662
Transfer agent and regulatory	8,328	4,976	24,282	9,734	142,095
Travel and promotion	4,245	17,494	89,672	36,740	398,393
Unclassified	-	-	-	-	61,341
	72,463	196,053	522,581	319,304	3,444,897
Less: Interest and exchange income	(6)	-	(346)	(1,216)	(161,321)
	72,457	196,053	522,235	318,088	3,283,576
OTHER CHARGES (CREDITS)					
Write-off of exploration expenditures	-	-	-	-	1,170,067
Incorporation and re-organization costs	-	-	-	-	27,052
Loss (gain) on disposal of capital assets	-	-	-	-	1,188,484
Loss (gain) on marketable securities	(11,585)	-	(12,328)	-	59,673
Depreciation and amortization (net)	3,088	-	7,926	-	39,967
Oil and gas revenue	(1,274)	(1,167)	(2,388)	(1,167)	(34,382)
Loss on gold processing operations	-	-	-	-	458,955
Loss on commodity trading	-	-	-	-	53,368
Mill office expenses	-	-	-	-	37,990
	(9,771)	(1,167)	(6,790)	(1,167)	3,001,174
NET LOSS	62,686	194,886	515,445	316,921	6,284,750
DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE - BEGINNING OF PERIOD	6,222,064	4,085,686	5,769,305	3,963,651	-
DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE - END OF PERIOD	6,284,750	4,280,572	6,284,750	4,280,572	6,284,750

GOLDEN QUAIL RESOURCES LTD.
(A Development Stage Company)

CONSOLIDATED STATEMENT OF CHANGES IN CASH POSITION ACCUMULATED DURING THE DEVELOPMENT STAGE

(Stated in U.S. Dollars)

(Unaudited)

	3 months to Feb 29 1992 $	3 months to Feb 28 1991 $	9 months to to Feb 29 1992 $	9 months to Feb 28 1991 $	Cumulative from date of Incorporation (May 29, 1963) Feb 29 1992 $
CASH (FOR) OPERATIONS					
Net loss	(62,686)	(194,894)	(515,445)	(316,929)	(6,284,750)
Add (deduct) items not requiring use of funds					
Depreciation and amortization	3,088	-	7,926	-	39,966
Write-off of exploration expenditures and property costs	-	-	-	-	1,170,742
Write-off of incorporation and re-organization costs	-	-	-	-	27,052
Loss on disposal of capital assets	-	-	-	-	1,188,484
	(59,598)	(194,894)	(507,519)	(316,929)	(3,858,506)
(Increase) decrease in receivables	(9,106)	(43,660)	(5,961)	(2,662)	(16,532)
Decrease in marketable securities	-	(67,680)	-	(77,680)	-
Funds held in trust	-	(156,199)	54,250	(156,199)	(100,750)
Exploration advances	-	350,000	-	-	-
Agreement receivable	-	-	(637,500)	-	(637,500)
Other current assets	10,467	-	61,767	-	(25,949)
Increase (decrease) in current liabilities	109,207	(17,410)	76,161	(122,548)	376,759
	50,970	(129,843)	(958,802)	(676,018)	(4,262,478)
CASH FROM (FOR) INVESTING ACTIVITIES					
Acquisition of capital assets	-	(890)	(18,000)	(890)	(2,156,261)
Interest in mineral, oil and gas properties	(11,987)	(285,028)	109,352	(285,028)	(776,447)
Exploration expenditures	-	-	-	-	(2,206,625)
Incorporation and organization costs	-	-	-	-	(27,052)
Disposal of capital assets	-	-	750,000	-	791,661
Acquisition of investment, net	43,535	-	(186,955)	-	(257,100)
	31,548	(285,918)	654,397	(285,918)	(4,631,824)
CASH FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	4,879	80,864	326,987	445,472	8,636,037
Increase (decrease) in long-term debt	(100,000)	200,000	(100,000)	200,000	260,000
	(95,121)	280,864	226,987	645,472	8,896,037
NET INCREASE (DECREASE) IN CASH	(12,603)	(134,897)	(77,418)	(316,464)	1,735
CASH - BEGINNING OF PERIOD	14,338	142,152	79,153	323,719	-
CASH - END OF PERIOD	1,735	7,255	1,735	7,255	1,735

GOLDEN QUAIL RESOURCES LTD.
(A Development Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Stated in U.S. Dollars)

(Unaudited)

1. The Company and Basis of Financial Statements - Nature of Operations

Golden Quail Resources Ltd., a company incorporated in Canada in 1963, is engaged in the exploration and development of mineral properties. Gold bearing deposits have been found to exist on the Company's principal mineral properties located in California and, accordingly, the development of the properties commenced. The Company has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties and related deferred expenditures are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production.

These financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results of operations for the three months ended February 29, 1992 and February 28, 1991.

Figures are presented in U.S. Dollars, unless otherwise stated.

2. SHARE CAPITAL

The following is a summary of share capital issued (authorized shares 50,000,000) from date of incorporation (May 29, 1963) to February 29, 1992:

	Number of Shares Issued	Value $
Common stock issued for cash	6,900,224	4,933,314
Common stock issued for considerations other than cash	4,282,634	3,375,736
Balance - May 31, 1991 (Audited)	11,182,858	8,309,050
Common stock issued for services	153,610	57,066
Common stock issued for receivables	24,663	8,874
Common stock issued for cash	837,170	261,047
Balance - February 29, 1992 (Unaudited)	12,198,301	8,636,037

MANAGEMENT DISCUSSION

The Registrant, a development stage company,is inactive and as such has received no substantial revenues. The loss for the three months ended Febrauary 29, 1992 is primarily attributed to the funding of expenditures required to continue its general corporate and administrative functions.

In 1990, the Registrant entered into a joint venture agreement with Golden Hemlock Explorations, Ltd., a British Columbia corporation (VSE). Under the agreement, Golden Hemlock must spend $2,700,000 (Canadian) over 4 years on the project, issue the Registrant 100,000 shares of its common stock and pay the Registrant a total of $200,000 (U.S. funds) (in three equal cash payments) to earn a 50% interest in its recently acquired claims in the Yukon Territory, Canada. Some work was carried out on this project during 1991.

The Registrant has negotiated a second agreement with Golden Hemlock whereby Golden Hemlock can earn a 50% interest in the open pit, heap leach "Golden Qauil" property in San Bernardino County, California. To earn the interest Golden Hemlock has the option to spend $1,500,000 over three years, inter alia. Drilling commenced on this prospect during July of 1991.

The Registrant successfully completed the first phase of drilling in 1991 and in February of 1992 obtained permits for the second phase of drilling. The results of the 1992 drill program will be released as they become available.

The ultimate success of these ventures and the commencement of commercial operations is dependent on several factors including the market price of gold.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GOLDEN QUAIL RESOURCES, LTD.

DATE: 5/26/92

SIGNATURE: Michael A. Schaffer

Michael A. Schaffer
President and Principal Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For Quarter Ended May 31, 1992

Commission File Number 2-91218-B

International Electronics, Inc.
(Exact name of registrant as specified in its charter)

Massachusetts	04-2654231
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

427 Turnpike Street, Canton, Massachusetts	02021
(Address of principal executive offices)	(Zip Code)

(617) 821-5566
(Registrant's telephone number, including area code)

Not applicable
(former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO ____

3,994,276 common shares were outstanding at July 5, 1992.

INTERNATIONAL ELECTRONICS, INC.

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Consolidated Statement of Shareholders' Equity, nine months ended May 31, 1992 (unaudited) 4

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INTERNATIONAL ELECTRONICS, INC.

CONSOLIDATED BALANCE SHEETS
(unaudited)

	May 31, 1992	August 31, 1991 (See note below)
ASSETS		
Current assets:		
Cash and equivalents	$798,160	$345,979
Accounts receivable, net	494,596	415,907
Inventories	465,247	452,493
Other current assets	59,931	39,774
Total current assets	1,817,934	1,254,153
Other assets	15,386	15,074
Equipment, furniture and improvements, net	121,978	164,784
Goodwill and other intangibles, net	868,663	974,444
	$2,823,961	$2,408,455
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Note payable to bank	$500,000	$500,000
Notes payable to shareholders	-	83,480
Accounts payable	315,073	272,845
Accrued expenses	381,256	372,229
State income taxes	10,200	
Current portion of long-term obligations	19,704	16,204
Total current liabilities	1,226,233	1,244,758
Long-term obligations	22,860	70,087
Notes payable to shareholders	25,000	275,000
Commitments		
Shareholders' equity:		
Common stock, $.01 par value: Authorized 11,953,125 shares Issued and outstanding 3,994,276 and 2,939,539 shares	39,942	29,395
Capital in excess of par value	4,559,266	3,932,717
Deficit	(3,049,340)	(3,143,502)
Total shareholders' equity	1,549,868	818,610
	$2,823,961	$2,408,455

Note: The balance sheet at August 31, 1991 has been taken from the audited consolidated financial statements at that date.

See notes to unaudited consolidated financial statements.

INTERNATIONAL ELECTRONICS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended		Nine months ended	
	May 31, 1992	May 31, 1991	May 31, 1992	May 31, 1991
Net sales	$1,195,148	$1,019,471	$3,459,261	$2,996,791
Cost of sales	692,425	591,456	1,971,601	1,797,000
Gross profit	502,723	428,015	1,487,660	1,199,791
Research and development costs	73,175	52,024	190,992	178,772
Selling, general and administrative expenses	389,762	402,591	1,158,161	1,257,361
Income (loss) from operations	39,786	(26,600)	138,507	(236,342)
Interest expense	(13,542)	(26,299)	(57,858)	(80,690)
Other income	7,006	2,102	23,713	8,773
Income (loss) before taxes	33,250	(50,797)	104,362	(308,259)
State income taxes	3,700	-	10,200	-
Net income (loss)	$29,550	($50,797)	$94,162	($308,259)
Net income (loss) per share	$.01	($.02)	$.03	($.11)
Weighted average number of shares outstanding	3,662,733	2,939,539	3,348,308	2,914,999

See notes to unaudited consolidated financial statements.

INTERNATIONAL ELECTRONICS, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(unaudited)

	Common Stock		Capital in excess of		
	Shares	Amount	par value	Deficit	Total
Balances, September 1, 1991	2,939,539	$29,395	$3,932,717	($3,143,502)	$818,610
Common stock issued in a private placement for reduction of notes payable	508,644	5,086	249,236	-	254,322
Common stock issued upon exercise of stock warrants for reduction of notes payable	75,362	754	25,924	-	26,678
Units issued in a private placement	387,097	3,871	287,402	-	291,273
Units issued in a private placement for reduction of notes payable	83,634	836	63,980	-	64,816
Sale of stock warrants	-	-	7	-	7
Net income	-	-	-	94,162	94,162
Balances, May 31, 1992	3,994,276	$39,942	$4,559,266	($3,049,340)	$1,549,868

See notes to unaudited consolidated financial statements.

INTERNATIONAL ELECTRONICS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Nine months ended	
	May 31, 1992	May 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$94,162	($308,259)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	176,763	167,121
Changes in operating assets and liabilities:		
Accounts receivable	(78,689)	(122,782)
Inventories	(12,754)	280,099
Other current assets	(20,157)	36,890
State income taxes	10,200	-
Accounts payable and accrued expenses	51,255	(75,462)
Net cash provided by (used in) operating activities	220,780	(22,393)
CASH FLOWS FROM INVESTING ACTIVITIES AND OTHER:		
Net purchase of equipment, furniture and improvements	(18,449)	(14,033)
Goodwill and other intangibles and other assets	(10,039)	5,961
Net cash used in investing activities and other	(28,488)	(8,072)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to notes payable and debt obligations	12,336	114,685
Issuance of units and stock warrants	291,280	100,000
Reduction of notes payable and debt obligations	(43,727)	(83,754)
Net cash provided by financing activities	259,889	130,931
CASH AND EQUIVALENTS:		
Net increase during period	452,181	100,466
Balances, beginning of period	345,979	120,745
Balances, end of period	$ 798,160	$ 221,211
SUPPLEMENTAL SCHEDULE OF NONCASH TRANSACTIONS:		
Issuance of common stock	$345,816	$ -
Reduction of notes payable to shareholders for issuance of common stock and units	(345,816)	-
	$ -	$ -

See notes to unaudited consolidated financial statements.

INTERNATIONAL ELECTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

A. Financial Statements:

In the opinion of the Company, the unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position as of May 31, 1992 and the results of operations for the three and nine months then ended.

Certain disclosures normally included have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, although the Company believes the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended August 31, 1991.

B. Net Income (Loss) per Share:

Net income (loss) per share is based on the weighted average common shares outstanding during the periods. Common stock equivalents have not been included as their effect would be anti-dilutive.

C. Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Ecco Industries, Inc. ("Ecco"). All material intercompany transactions, balances and profits have been eliminated.

INTERNATIONAL ELECTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)
(unaudited)

D. Note Payable to Bank:

Through August 31, 1991, the Company had outstanding, a bank line of credit of $500,000, with interest at the prime rate plus 1%. Available borrowings were based upon percentages of inventory and accounts receivable, which have been pledged as collateral under the agreement. The Company had to comply with certain restrictive covenants, which included maintaining a minimum of $350,000 in net worth, a working capital ratio of at least 1.2 to 1 and a debt to equity ratio of no greater than 2.3 to 1. No compensating balances were required under the line.

In May, 1991, the Company's bank, Boston Trade Bank, was declared insolvent and closed The Federal Deposit Insurance Corporation was appointed Receiver and became the holder of the line of credit. The line of credit expired on August 31, 1991 and remains outstanding as of July 5, 1992.

Through August 31, 1991, the lender had given the Company a waiver, as of such date, regarding a default in the bank's working capital covenant.

E. Long-term obligations:

Long-term obligations are summarized as follows:

	May 31, 1992 (unaudited)	Aug. 31, 1991 (audited)
Equipment loan, collateralized by equipment, interest at prime plus 1%, final payment due August, 1992	$ 9,500	$ 12,500
Other	21,500	51,500
7%-15% equipment loans, collateralized by equipment, final payment due September, 1993	11,564	22,291
	42,564	86,291
Less current portion	(19,704)	(16,204)
	$22,860	$70,087

Other long-term obligations consist primarily of liability for future security registrations, and other miscellaneous liabilities.

The aggregate principal payments on long-term obligations at May 31, 1992 are $19,704 (1992) and $22,860 (1993).

INTERNATIONAL ELECTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)
(unaudited)

F. Notes Payable to Shareholders:

Notes payable to shareholders consist of:

	May 31, 1992 (unaudited)	Aug. 31, 1991 (audited)
12% subordinated notes payable, due June 30, 1993	$25,000	$275,000
12% notes payable and accrued interest, due June 30, 1992	-	83,480
	25,000	358,480
Less current portion	-	(83,480)
	$25,000	$275,000

In November, 1991 and February, 1992, the Company issued an aggregate of 584,006 shares of common stock for a reduction of $281,000 in notes payable. In May, 1992, the Company issued 83,634 units as described in Note G for a reduction of $64,816 of notes payable.

In conjunction with the acquisition of Ecco, the Company issued $175,000 in June, 1990 and $100,000 in November, 1990 of 12% subordinated notes to shareholders due June 30, 1993 and warrants to purchase an aggregate of 82,899 shares of common stock (Note I).

G. Capital Transactions:

In November, 1991 and February, 1992 the Company issued an aggregate of 584,006 shares of common stock, of which 75,362 shares were issued upon the exercise of stock warrants, for a reduction of $281,000 in notes payable from shareholders (Note F). Certain shareholders were granted piggyback registration rights and certain anti-dilution provisions.

In January, 1992 the Company granted warrants to a financial consultant to purchase 7,000 shares of common stock at an exercise price of $.50 per share, exercisable until 2002. In April, 1992 the Company granted two year warrants to a public relations firm to purchase 34,838 shares of common stock at an exercise price of $1.10 per share.

In April, 1992, the Company issued in a private placement, 387,097 units as defined below for net proceeds of $291,273, with offering costs of $8,727. In May, 1992, the Company issued 83,634 units as defined below for a reduction of $64,816 in notes payable from shareholders (Note F). Each unit consists of one share of common stock and a warrant to purchase an additional share of common stock exercisable at $1.10 per share. The warrants are exercisable

G. Capital Transactions (continued):

for one year from their issue date and may be repurchased by the Company for nominal consideration, if the bid price of the Company's common stock exceeds $1.265 for twenty consecutive trading days. These shareholders and warrantholders were granted certain registration rights and anti-dilution provisions.

H. Basis of Presentation:

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company's continuation as a going concern depends on its ability to maintain existing debt and a profitable level of operations and/or to obtain additional financing. The Company's bank line of credit expired on August 31, 1991, and remains outstanding as of July 5, 1992 (Note D).

Although certain goals of the Company's 1991 plan were achieved, the Company's current business plan continues to reflect the need to reduce operating losses. The losses incurred in 1991, 1990 and 1989 primarily reflect costs associated with establishing a national sales force, and related marketing expenses, quality problems with the Company's then principal supplier and a sales volume not adequate to meet its operating expenses. These factors raised substantial doubt about the Company's ability to continue as a going concern.

The Company has instituted a number of measures intended to improve its financial position. These measures have included discontinuing its relationship with its then principal supplier and commencing in-house manufacturing, consolidating its manufacturing and administrative facilities, issuing subordinated notes and equity securities, and converting shareholder debt to equity (Notes F and G). Management believes that these efforts combined with maintaining a line of credit and its current sales volume will enable the Company to meet its future cash requirements. There is no assurance that the Company's sales volume will be maintained, it will maintain a bank line of credit, profits will be sustained or additional financing will be obtainable, if required. In the event the Company is unable to maintain its existing debt and obtain additional working capital through profitable operations or additional financing, the Company will be unable to continue the introduction and development of new products and will have to reduce its fixed expenses and may be unable to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

INTERNATIONAL ELECTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)
(unaudited)

I. Subsequent Events:

In June, 1992, the Company repaid $25,000 of 12% notes payable to shareholders due June 30, 1993 (Note F).

In June, 1992, the Company committed to purchasing certain equipment for $132,000. The purchase will be financed by a three-year note, secured by cash of approximately $95,000 to be held in escrow. The lender may release the escrow requirement in fiscal 1993 based on certain circumstances.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

As of May 31, 1992, the Company had working capital of $591,701 compared to $9,395 at August 31, 1991. The ratio of current assets to current liabilities at May 31, 1992 was 1.5 as compared to 1.0 at August 31, 1991. The debt to equity ratio was .8 at May 31, 1992 and 1.9 at August 31, 1991. The increase in working capital and decrease in debt to equity are the result of the private placement of equity securities, the Company's net income, and conversion of debt to equity during the first nine months of fiscal 1992. See Notes F and G of Notes to Unaudited Consolidated Financial Statements.

Net capital expenditures were $18,449 and $14,033 for the nine months ended May 31, 1992 and 1991, respectively. The Company has a current commitment of $132,000 for capital equipment, and anticipates purchasing an additional $130,000 in capital expenditures for the purchase of manufacturing equipment, regulatory testing and tooling costs over the next twelve months. See Note I of Notes to Unaudited Consolidated Financial Statements.

Through August 31, 1991, the Company had the maximum of $500,000 outstanding under a bank line of credit. See Notes D and H of Notes to Unaudited Consolidated Financial Statements. In May, 1991 the Commissioner of Banks of the Commonwealth of Massachusetts declared the Company's bank insolvent, and appointed the Federal Deposit Insurance Corporation ("FDIC") as liquidating agent of the bank. The line of credit expired on August 31, 1991 and has not been renewed, but remains outstanding as of July 5, 1992. The Company continues to be current in interest payments to the FDIC. The Company continues to seek a new financial institution or finance company.

In order to improve its financial position, the Company in March, 1991 entered into a lease to consolidate its manufacturing and administrative facilities, during the first nine months of fiscal 1992 issued equity securities in exchange for an aggregate reduction of $345,816 in notes payable due shareholders and in April, 1992 issued in a private placement, securities consisting of common stock and warrants for net proceeds of approximately $291,000. Management believes that its current cash position, coupled with maintaining a line of credit together with internally generated funds at current sales levels, will satisfy its cash requirements for the remainder of fiscal 1992. Depending upon whether or not sufficient revenue and working capital is maintained from profitable operations and the Company maintains a line of credit, the Company may require external funding. There is no assurance that profits will be generated or external funding will be obtainable, if such a need should arise. In the event that the Company is unable to obtain additional working capital through profitable operations and/or additional financing, and maintain a bank line of credit, the Company will be unable to continue the introduction and development of new products and will have to reduce its fixed expenses and may be unable to continue as a going concern. The Company's independent auditors' report for fiscal 1991 includes a going concern qualification.

Management's Discussion and Analysis of Financial Condition and Results of Operations
(continued)

Results of Operations

Net sales for the third quarter of fiscal 1992 increased 17% as compared to the third quarter of fiscal 1991, reflecting increases primarily in glassbreak and keypad product sales. Net sales for the first nine months of 1992 increased 15% as compared to the first nine months of 1991, reflecting increases in audio detector and keypad product sales and engineering services, offset in part by a reduction in voice verification and glass-gard sales. The Company continues to have a dependence on large volume sales to large customers and therefore remains subject to quarterly fluctuations primarily as a result of an uneven flow of orders from its current customer base.

The ratio of gross profit to sales for both the three months ended May 31, 1992 and 1991 were 42%. The ratio of gross profit to sales for the nine months ended May 31, 1992 and 1991 were 43% and 40%, respectively. The increase in gross profit for the first nine months of 1992 is due to product mix, increased manufacturing efficiencies and reduction in royalty expense.

The increase in research and development costs in the third quarter of 1992 as compared to the third quarter of 1991 is primarily due to the hiring of a subcontract worker to perform certain development projects. The increase in research and development expenses for the first nine months of 1992 as compared to 1991 primarily relate to the hiring of the subcontract worker and increased expenses associated with new product introductions expected in the fourth quarter of 1992, offset in part by the allocation of certain engineering services to cost of sales.

The decrease in selling, general and administrative expenses for the three and nine months ended May 31, 1992, as compared to the corresponding periods of the prior year primarily relates to reductions in the Company's work force and related sales expenses.

The increase in other income primarily relates to an increase in interest earned due to additional cash reserves. The decrease in interest expense is due to a reduction in borrowings from shareholders, and a reduction in interest rates from the Company's working capital line of credit.

State income taxes of $10,200 for the first nine months of 1992 is the net tax expense due by the Company, after utilization of available net operating loss carryforwards.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

(1) Purchase Agreement with investors represented by Kennedy Capital Management, Inc.

(2) Stock Purchase and Sale Agreement with Agia, Inc.

(b) There were no reports on Form 8-K filed for the three months ended May 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, who is duly authorized to sign and is Chief Financial and Accounting Officer.

International Electronics, Inc.

Date: 7/10/92

John Waldstein, President,
Treasurer & Chief Financial and Accounting
Officer and duly authorized to sign.

INTERNATIONAL ELECTRONICS, INC.

INDEX TO EXHIBITS

(1) Purchase Agreement with investors represented by Kennedy Capital Management, Inc.

(2) Stock Purchase and Sale Agreement with Agia, Inc.

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INTERNATIONAL ELECTRONICS, INC.

PURCHASE AGREEMENT

This Purchase Agreement (hereinafter referred to as the "Agreement") is made this 28th day of April, 1992 between International Electronics, Inc., a duly organized and existing Massachusetts corporation with a principal place of business at 427 Turnpike Street, Canton, Massachusetts 02021 (hereinafter referred to as the "Company") and the purchasers listed on Schedule A attached hereto (hereinafter referred to as the "Purchasers").

WHEREAS, the Company desires to issue and sell 387,097 Units, as defined hereinafter, for $300,000 to the Purchasers; and

WHEREAS, the Purchasers desire to purchase Units having the total dollar value set forth beside their names on the signature page hereto.

NOW THEREFORE, in consideration of the mutual promises and the representations, warranties, covenants and conditions set forth in this Agreement, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS.

"Common Stock" shall mean the Company's $.01 par value Common Stock as authorized on the date of this Agreement.

"Purchase Price" for each Unit will be $.775.

"Securities Act" shall mean the Securities Act of 1933 or any similar Federal statute, and the rules and regulations of the Securities and Exchange Commission (or of any other Federal agency then administering the Securities Act) thereunder, all as the same shall be in effect at the time.

"Unit" shall mean one share of the Company's Common Stock and one warrant to purchase one share of the Company's Common Stock, which warrant shall expire one year from the date of issue of the Units to the Purchasers thereof, and which Warrant shall be exercised at a price of $1.10 for each share of Common Stock (the "Warrant Purchase Price").

"Warrant" shall mean the Warrant which is a part of the Unit.

2. PURCHASE OF UNITS AND REPRESENTATIONS OF PURCHASER.

2.1. Subject to the terms and conditions hereinafter set forth, the Purchasers each hereby purchase the number of Units determined by dividing the dollar amount set forth beside their name on the signature page hereto, by the Purchase Price for each Unit. The amount to be paid for all Units shall be by cashier's check payable to the Company, or by wire transfer to an account determined by the Company, and shall be paid contemporaneously with the execution and delivery of this Agreement. The Units will be delivered by the Company to the Purchasers as soon as possible following the payment of the purchase price.

2.2. The Purchasers recognize that the purchase of the Units involves a high degree of risk in that an investment in the Company is highly speculative and only an investor who can afford to lose his entire investment in the Company should purchase the Units.

2.3. The Purchasers acknowledge that they are each able to bear the economic risk of this investment.

2.4. The Purchasers each represent that it or they are each an "accredited investor", as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act.

2.5. The Purchasers acknowledge that it and they have prior investment experience, including investment in non-listed and non-registered securities, or it and they have employed the services of an investment advisor, attorney or accountant to read all of the documents furnished or made available by the Company to it and to evaluate the merits and risks of such an investment on its behalf.

2.6. The Purchasers hereby represent that it and they have been furnished by the Company during the course of this transaction with all information regarding the Company which it had requested or desired to know including without limitation the Company's 10-K for 1991, the Company's Annual Report for 1991 and the Company's 10-Q for the quarter ended November 30, 1991; that all documents which could be reasonably provided have been made available for its and their inspection and review; and that such information and documents have, in its and their opinion, afforded the Purchasers with all of the same information that would be provided it and them in a registration statement filed under the Securities Act; that it and they have been afforded the opportunity to ask questions of and receive answers from duly authorized officers or other representatives of the Company concerning the terms and conditions of the investment in the

Company, and any additional information which it or they have requested.

2.7. The Purchasers hereby acknowledge it and they understand that this offering has not been reviewed by the Securities and Exchange Commission (the "Commission") since this offering is intended to be a non-public offering pursuant to Regulation D under the Securities Act. The Purchasers represent that the Units, the shares of Common Stock and the Warrants are being purchased for its and their own accounts, for investment, and not for distribution or resale to others. The Purchasers agree that it and they will not sell or otherwise transfer such securities unless they are registered under the Securities Act or unless an exemption from such registration is available.

2.8. The Purchasers understand that the Units, the shares of Common Stock and the Warrants have not been registered under the Securities Act by reason of a claimed exemption under the provisions of the Securities Act which depends, in part, upon its and their investment intention. In this connection, the Purchasers understand that it is the position of the Commission that the statutory basis for such exemption would not be present if its representations merely meant that its present intention was to hold such securities for a short period, for a deferred sale, for a market rise, assuming that a market develops, or for any other fixed period. The Purchasers realize that, in the view of the Commission, a purchase now with an intent to resell would represent a purchase with an intent inconsistent with its representation to the Company, and the Commission might regard such a sale or disposition as a deferred sale to which the exemption is not available.

2.9. The Purchasers consent that the Company may, if it desires, permit the transfer of the shares of Common Stock, or the Warrants, out of its or their names only when its or their request for transfer is accompanied by an opinion of counsel reasonably satisfactory to the Company that neither the sale nor the proposed transfer results in a violation of the Securities Act or any applicable state "blue sky" laws (collectively, the "Securities Laws"). The Purchasers agree to hold the Company, its directors, officers and controlling persons and their respective heirs, representatives, successors and assigns harmless and to indemnify them against all liabilities, costs and expenses incurred by them as a result of any misrepresentation made to it contained herein or in the Confidential Purchasers Questionnaire completed by the Purchasers or any sale or distribution by the Purchasers in violation of any Securities Laws.

2.10. The Purchasers consent to the placement of a legend on any certificate or other document evidencing the shares of Common Stock or, the Warrants, and the Common Stock issuable upon exercise of the Warrant, stating that they have not been registered under the Securities Act and setting forth or referring to the restrictions on transferability and sale thereof. The Purchasers are aware that the Company will make a notation in its appropriate records with respect to the restrictions on the transferability of such securities.

3. REPRESENTATIONS BY, AND COVENANTS OF, THE COMPANY.

The Company represents and covenants to the Purchaser that:

3.1. The Company is a corporation duly organized, existing and in good standing under the laws of the Commonwealth of Massachusetts, and has the corporate power to conduct the business which it conducts and proposes to conduct.

3.2. The execution, delivery and performance of this Agreement by the Company has been duly approved by the Board of Directors of the Company and all other actions required to authorize and effect the offer and sale of the Units have been duly taken and approved.

3.3. The Common Stock and the Warrants included in the Units have been duly and validly authorized and, when issued and paid for in accordance with the terms hereof, will be validly binding obligations of the Company enforceable in accordance with their respective terms except as the enforceability thereof may be limited by bankruptcy, insolvency, or other laws affecting the rights of creditors generally or by general equitable principles.

3.4. The Company will at all times during the term of the Warrants have duly authorized and reserved a sufficient number of shares of Common Stock to provide for the exercise of such Warrants.

3.5. The shares of the Common Stock issuable upon exercise of the Warrants, when issued and paid for in accordance with the terms of the Warrants will be duly and validly issued, fully paid and non-assessable.

3.6. The Company has obtained all licenses, permits and other governmental authorizations necessary to the conduct of its business; such licenses, permits and other governmental authorizations obtained are in full force and effect; and the Company is in all material respects complying therewith.

4. REGISTRATION OF SECURITIES.

4.1. The Company will use its best efforts to effect the registration under the Securities Act of all Common Stock purchased as part of the Units and to register the shares of Common Stock reserved for issuance upon exercise of the Warrants. Such registration shall be made in conjunction with the Company's Form 10-K for the year ending August 31, 1992. The registration required by this Section 4 shall be based upon the financial reports prepared by the Company's auditors for such Form 10-K. All expenses of registration shall be born by the Company except that the Purchasers shall bear any legal, accounting or other expenses attributable solely to any particular condition of the Purchaser. It is understood that this provision is only meant to impose an obligation on any particular Purchaser for expenses which are incurred because of that particular Purchaser. This registration shall be a one time registration for all of the Common Stock related to Units sold pursuant to this Agreement.

4.2. The Company's obligation to register as provided in this Section 4 is conditioned upon the Purchasers cooperating with and furnishing of all information reasonably required by the Company for the purpose of completing the registration statement to be prepared by it. The Company will indemnify and hold harmless each Purchaser of Common Stock which is included in a registration statement pursuant to the provisions of this Agreement, from and against, and will reimburse such Purchaser with respect to, any and all claims, actions, demands, losses, damages, liabilities, costs and expenses to which such Purchaser may become subject under the Securities Act or otherwise, insofar as such claims, actions, demands, losses, damages, liabilities, costs or expenses arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in such registration statement, any prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or arise out of any violation by the Company of any rule or regulation under the Securities Act applicable to the Company and relating to action or inaction required of the Company in connection with such registration; provided, however, that the Company will not be liable in any such case to the extent that any such claim, action, demand, loss, damage, liability, cost or expense is caused by an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in strict conformity with information furnished by a Purchaser.

4.3. Each Purchaser of Common Stock which is included in a registration pursuant to the provisions of this Agreement will indemnify and hold harmless the Company from and against, and will reimburse the Company with respect to, any and all losses, damages, liabilities, costs or expenses to which the Company may become subject under the Securities Act or otherwise, insofar as such losses, damages, liabilities, costs or expenses are caused by any untrue or alleged untrue statement of any material fact contained in the registration statement, any prospectus contained therein, or any amendment or supplement thereto, or are caused by the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they are made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission in the registration statement, any prospectus contained therein, or any amendment or supplement thereto was so made in reliance upon and in strict conformity with written information furnished by such Purchaser specifically for use in the preparation thereof.

5. NOTICE.

5.1. Any notices required hereunder shall be in writing and deemed to have been received (a) on the date delivered if delivered in hand, (b) the next following business day after being sent if sent by Federal Express or similar service, or (c) two business days after mailing, postage prepaid, by certified mail, return receipt requested, to the party entitled to notice at the addresses as follow, or such other address as may be directed by notice given hereafter. A business day shall be deemed any day on which the United States Postal Service shall have regular mail delivered to the address to which the notice shall be directed:

If to the Company:
John Waldstein, President
International Electronics, Inc.
427 Turnpike Street
Canton, Massachusetts 02021

With copy to:
Peter Myerson, Esquire
Barron & Stadfeld, P.C.
Two Center Plaza
Boston, MA 02108

If to the
Purchasers: At the addresses set forth on
Schedule A attached hereto

6. MISCELLANEOUS.

6.1 This Agreement may not be modified, revised, altered, added to, or extended in any manner, or superseded except by an instrument in writing signed by the party to be charged thereby.

6.2 This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument representing the agreement of the parties hereto.

6.3 The failure by any party to enforce any provision of this Agreement shall not be construed in any way as a waiver of any such provision nor prevent that party thereafter from enforcing each and every provision of this Agreement.

6.4 The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects so as to permit the enforcement of each provision hereof to the fullest extent permitted by law.

6.5 The Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their successors and assigns; provided, however, no assignment by a party of its rights and/or interests in and to this Agreement shall in any manner relieve the assigning party of or from any of its obligations, liabilities or undertakings herein contained.

6.6 This Agreement contains the entire agreement between the parties hereto and supersedes any and all prior agreements or understandings between the parties relating to the subject matter hereof. No oral understandings, oral statements, oral promises or oral inducements exist. No representations, warranties, covenants or conditions, express or implied, whether by statute or otherwise, other than as set forth herein, have been made by the parties hereto.

6.7 This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement, as an instrument under seal as of the date set forth above.

International Electronics, Inc.

By: ______________________________
John Waldstein, President

Purchasers	Dollar amount of Investment

SCHEDULE A

Names and Addresses of Purchasers

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement, as an instrument under seal as of the date set forth above.

International Electronics, Inc.

By: ______________________
John Waldstein, President

Purchasers	Dollar amount of Investment
CSC INDUSTRIES INC.	$ 220,000
TOM MORGAN	$ 30,000
THOMAS RASSIOUR	$ 30,000
CHARLIE DILL	$ 20,000

SIGNED FOR By Kennedy CAPITAL MANAGEMENT

Gerald T Kennedy
PRESIDENT

[redacted]
92894193

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

RECD S.E.C.
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(Mark One)

_X_ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended February 29, 1992

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OR

_____ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the transition period from __________ to __________

PROCESSED BY
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Commission File No. 33-36879-C

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

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IONIX INC.
(Exact name of registrant as specified in charter)

Illinois	36-3720145
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2350 East Lunt Avenue, Elk Grove Village, Illinois	60007
(address of principal executive offices)	(Zip Code)

(708) 439-1999
(Registrant's telephone number, including area code)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ____.

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDING DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes _____ No _____.

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: The number of shares of Common Stock, $.001 par value, outstanding, as of March 31, 1992, was 500,000 and the number of Common Stock Purchase Warrants then outstanding was 2,500,000.

IONIX INC.

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PART I - ITEM I

FINANCIAL STATEMENTS
IONIX INC.
Balance Sheets
(unaudited)

ASSETS

	August 31, 1991	February 29, 1992
CURRENT ASSETS		
Cash	$ 6,109	$ 564
OTHER ASSETS		
Deferred registration costs	35,058	43,435
Organizational costs	1,400	1,400
	$36,458	$44,835
	$42,567	$45,399

LIABILITIES AND STOCKHOLDERS' EQUITY

	August 31, 1991	February 29, 1992
CURRENT LIABILITIES		
Accounts payable	$32,567	$35,399
STOCKHOLDERS' EQUITY		
Common stock - authorized, 15,000,000 shares of $.001 par value; issued and outstanding, 500,000 shares	500	500
Additional paid-in capital	9,500	9,500
Deficit accumulated in the development stage	- 0 -	- 0 -
	$10,000	$10,000
	$42,567	$45,399

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

IONIX INC.
Statements of Operations
(Unaudited)

	Three months ended		Six months ended	
	February 28, 1991	February 29, 1992	February 28, 1991	February 29, 1992
Expenses				
Sundry expenses	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -
Net Loss	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -
Weighted average number of common shares outstanding	500,000	500,000	500,000	500,000
Net loss per share	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

IONIX INC.
Statements of Cash Flows
(Unaudited)

	Six months ended	
	February 28, 1991	February 29, 1992
Cash flows from operating activities:		
Net Loss	$ - 0 -	$ - 0 -
Net cash provided by operating activities	- 0 -	- 0 -
Cash flows from financing activities:		
Payment of deferred registration costs	(1,391)	(5,545)
DECREASE IN CASH	(1,391)	(5,545)
Cash at beginning of period	10,000	6,109
Cash at end of period	$ 8,609	$ 564

Supplemental schedule of noncash financing activities:

Noncash costs incurred in connection with the Company's public offering of common stock were $26,975 and $8,332 for the respective periods.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

IONIX INC.

NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

1. Ionix Inc. (the Company) was incorporated in Illinois on July 27, 1990. The Company was organized to acquire interests in business opportunities. The Company has been dormant for the period since its inception; it is a start-up enterprise and has not yet commenced commercial operations.

2. These interim Financial Statements should be read in conjunction with the Financial Statements and notes included in the Company's August 31, 1991 Annual Report and Form 10-K.

3. In the opinion of the Company, the accompanying unaudited financial information reflects all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the statements contained herein.

4. These consolidated statements are presented in accordance with the requirements of Form 10-Q and consequently may not include all disclosures normally required by generally accepted accounting principles normally made in the Company's Annual Report and Form 10-K.

5. In addition to the issuance of 500,000 shares of common stock to its founders and initial officers and directors, the Company also issued to its founders five Redeemable Purchase Warrants for each common share of stock (2,500,000 warrants). Each Warrant may be used to purchase one share of Common Stock at $1 per share for five years. These Warrants commence and are exercisable upon the contingent closing of the Company's initial public offering of securities. Each Warrant is redeemable by the Company for the full term of the

Warrants upon 30 days written notice at $.001 per Warrant. In addition, the Company registered to sell up to 200,000 common shares at $1 per share. Each share will be sold with five Redeemable Purchase Warrants as described previously. The shares are being offered on a "best efforts 50,000 shares or none" basis. No subscriptions have been received through February 29, 1992. The Registration Statement was effective on July 18, 1991. The initial offering period of 90 days was extended by the Company for an additional 180 days as discussed in the Registration Statement. Costs related to the Company's efforts to obtain financing through this public offering have been deferred and, if the offering is successful, such costs will be offset against the proceeds of the offering, otherwise they will be expensed.

PART I - ITEM II

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Registrant was formed July 27, 1990, for the purpose of investing in any and all types of assets, properties and businesses. In connection with its formation, the Registrant issued 500,000 Shares of Common Stock, $.001 par value, and 2,500,000 Common Stock Purchase Warrants, each Warrant being exercisable for the purchase of one Share of Common Stock, $.001 par value, at an exercise price of $1 per share for a period of five years. These Shares and Warrants were issued upon to its officers, directors and other shareholders for the aggregate sum of $10,000. On July 18, 1991, the United States Securities and Exchange commission granted effectiveness to a Registration Statement on Form S-18 filed by Registrant for registration of said 500,000 Units, as well as, an additional 200,000 Units to be offered by the Registrant without use of an underwriter or broker. Each Unit is comprised of one share of Common Stock, $.001 par value, and one Common Stock Purchase Warrant, each Warrant being exercisable for the purchase of one share of Common Stock, $.001 par value, at an exercise price of $1 per share for a period of five years. The initial offering period of 90 days was extended by the Registrant for an additional 180 days being October 18, 1991 as provided in the Registration Statement. As of February 29, 1992, no Units offered had been sold and no gross offering proceeds had been received by the Registrant.

Liquidity and Capital Resources

Presently, the Registrant's assets consist solely of a minimal amount of cash from its initial capitalization less amounts expended for offering costs and operations to date. As of February 29, 1992, the Registrant had total assets of $45,399 of which $564 was cash. A portion of the Registrant's cash will likely be used to fund the costs of evaluating potential business acquisitions and, once an acquisition is found, to pay the professional fees which are likely to be incurred in the acquisition transaction. As of February 29, 1992, the Registrant had $35,399 in total liabilities, consisting of accounts payable. As of February 29, 1992, the Registrant had other assets, consisting of organizational costs and deferred registration costs of $1,400 and $43,435, respectively. The increase in assets at February 29, 1992 over August 31, 1991, was the result of additional deferred registration costs.

Results of Operations

The Registrant has not commenced any active operations as of the date hereof except for its search of suitable acquisition candidates. The Registrant's assets, consisting primarily of cash, are on deposit in a non-interest-bearing account. No revenue has been generated by the Registrant. Costs related to the Registrant's efforts to obtain financing through this public offering have been deferred and, if the offering is successful, such costs will be offset against the proceeds of the offering, otherwise they will be expensed.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings. None

Item 2. Changes in the Rights of the Company's Security Holders. None.

Item 3. Defaults by the Company on its Senior Securities. None.

Item 4. Submission of Matters to a Vote of Security Holders. None.

Item 5. Other Information. None

Item 6(a). Exhibits. None

Item 6(b). Reports on Form 8-K. None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, Registrant's Principal Financial Officer, thereunto duly authorized.

Dated: March 31, 1992

IONIX INC.

(Registrant)

By
Dilip S. Vyas

(Principal Financial Officer)

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

PROCESSED BY
MAR 24 1992
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

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For the transition period from ______________

Commission file number: 0-18331

Legend Foods, Inc.

New York	11-2717150
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

79-20 71st Avenue, Glendale, NY 11385
(Address of principal executive offices)
(Zip Code)

(718) 326-1323
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 1313 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ___X___ No ________

As of January 31, 1992, there were 16,210,457 shares outstanding of the registrant's Common Stock $.001 par value.

LEGEND FOODS, INC.

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LEGEND FOODS, INC.

BALANCE SHEET

	January 31, 1992 (Unaudited)	July 31, 1991
ASSETS		
CURRENT ASSETS:		
Cash	$ –	$ 111,249
Notes receivable	357,000	400,000
Other receivables – American (Note 6)	520,000	–
Interest receivable	21,686	11,374
Assets held for sale and/or liquidation – net	197,500	530,331
	$ 1,096,186	$ 1,052,954
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accrued expenses	$ 91,760	$ 107,450
Liabilities of discontinued business	377,790	323,635
Accrued contingent liabilities of discontinued business	310,000	–
TOTAL CURRENT LIABILITIES	779,550	431,085
STOCKHOLDERS' EQUITY:		
Common stock, 25,000,000 shares authorized at $.001 par value; issued and outstanding 16,210,457 and 16,471,948, respectively	16,210	16,472
Additional paid-in- capital	3,672,727	3,522,464
Accumulated deficit	(3,372,301)	(2,917,067)
TOTAL STOCKHOLDERS' EQUITY	316,636	621,869
	$ 1,096,186	$ 1,052,954

LEGEND FOODS, INC.

STATEMENT OF OPERATIONS
(Unaudited)

	Three Months ended January 31,		Six Months ended January 3	
	1992	1991	1992	1991
INTEREST INCOME	$ 469	$ –	$ 13,026	$ 5,525
GENERAL AND ADMINISTRATIVE EXPENSES	(4,598)	(3,329)	(18,848)	(53,303)
WRITE–OFF OF AQUISITION COSTS (Note 6)	(10,946)	–	(21,246)	–
LOSS FROM CONTINUING OPERATIONS	(15,075)	(3,329)	(27,068)	(47,778)
LOSS FROM DISCONTINUED OPERATIONS	(16,470)	(144,240)	(428,166)	(240,398)
NET LOSS	$ (31,545)	$ (147,569)	$ (455,234)	$ (288,176)
LOSS PER SHARE OF COMMON STOCK :				
Continuing operations	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Discontinued operations	(0.00)	(0.01)	(0.03)	(0.02)
NET LOSS PER SHARE OF COMMON STOCK	$ (0.00)	$ (0.01)	$ (0.03)	$ (0.02)
WEIGHTED AVERAGE SHARES USED IN COMPUTATION	14,182,758	12,352,139	14,182,758	12,352,139

LEGEND FOODS, INC.

STATEMENT OF CASH FLOWS

	Six Months Ended January 31, 1992 (Unaudited)	Six Months Ended January 31, 1991 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (27,068)	$ (47,778)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Shares issued for services (Note 6)	150,000	–
(Increase) in interest receivable	(10,312)	–
(Decrease) in accrued expenses	(15,690)	–
CASH PROVIDED (USED) BY CONTINUING OPERATIONS	96,930	(47,778)
DISCONTINUED OPERATIONS:		
Loss from discontinued operations	(428,166)	(240,398)
Adjustments to reconcile loss to net cash provided by discontinued operations:		
(Increase) decrease in assets	332,832	44,180
Increase (decrease) in liabilities	364,155	(682,787)
CASH PROVIDED (USED) IN DISCONTINUED OPERATIONS	268,821	(879,005)
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	365,751	(926,783)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Notes receivable	43,000	–
Other receivable – American	(520,000)	–
CASH USED BY INVESTING ACTIVITIES	(477,000)	–
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in accrued public offering expense	–	(195,696)
(Increase) decrease in deferred public offering costs	–	245,848
Proceeds from issuance of common stock	–	1,818,337
CASH PROVIDED BY FINANCING ACTIVITIES	–	1,868,489
INCREASE (DECREASE) IN CASH	(111,249)	941,706
CASH AT BEGINNING OF PERIOD	111,249	(19,341)
CASH AT END OF PERIOD	$ –	$ 922,365
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 2,314	$ 27,544
Income taxes	$ –	$ 1,537

LEGEND FOODS, INC.

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Reference is made to the annual report on form 10-K dated October 28, 1991 for the year ended July 31, 1991.

The accompanying financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the financial position and the results of operations for the interim periods presented. All such adjustments are of a normal recurring nature. The results of the Company's operations for any interim period are not necessarily indicative of the results of the Company's operations for a full fiscal year.

2. DISCONTINUED OPERATIONS

In Janurary 1992, the previously disclosed asset purchase agreement with Bevco was terminated and in February 1992 the company sold its primary product distribution contract to an unaffiliated distribution company for cash of $82,500.

Amounts in the financial statements have been reclassified to set forth the the financial position and results of operations of the discontinued business.The assets of the discontinued business have been written down to reflect their estimated net realizable value upon disposal. Contractual commitments have been accrued to reflect the necessity of settlement upon the discontinuance of operations.

The revenues of the discontinued business were $577,003 and $625,509 for the six months ended January 31, 1992 and 1991, respectively. The following summarizes the assets and liabilities held for sale and/or liquidation at January 31, 1992 and the corresponding balances for July 31, 1991:

	January 31, 1992 (Unaudited)	July 31, 1991
Accounts Receivable	$ 43,030	$ 82,189
Inventory	120,427	221,646
Prepaid expenses	2,203	64,046
Total current assets	165,660	367,881
Property and equipment, at cost, net of accumulated depreciation (1)	31,500	60,065
Deposits	340	17,521
Deferred contract costs	–	84,864
Total assets	$ 197,500	$ 530,331

Liabilities of discontinued business (2)	$ 377,790	$ 236,720
Write down of net assets held for sale to estimated net realizable value	–	58,611
Estimated losses to anticipated date of sale and/or liquidation	–	28,304
Total liabilities	$ 377,790	$ 323,635

(1) Property and equipment consists of the following:

	January 31, 1992 (Unaudited)	July 31, 1991
Selling equipment	$ 2,000	$ 17,230
Leasehold improvements	6,500	40,173
Office equipment	3,000	41,606
Warehouse equipment	1,000	12,155
Equipment held under capital lease	19,000	38,538
	31,500	149,702
Less accumulated depreciation	n/a	89,637
	$ 31,500	$ 60,065

(2) Liabilities of the discontinued business consist of the following:

	January 31, 1992 (Unaudited)	July 31, 1991
Accounts payable – trade	$ 82,994	$ 96,388
Accrued expenses	250,159	106,117
Capital leases	44,637	34,215
	$ 377,790	$ 236,720

3. ACCRUED EXPENSES

Accrued expenses consist of the following:

	January 31, 1992 (Unaudited)	July 31, 1991
Professional fees	$ 31,760	$ 107,450

4. LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS

Previously disclosed estimated loss on disposal totalled $ 348,395. Current estimate of the loss totals $375,463.

5. EARNINGS PER SHARE

Per share information is computed based on the weighted average number of shares outstanding during the period.

6. OTHER RECEIVABLE – AMERICAN

The Company has a receivable of $520,000 from American, the subject of the proposed share exchange, related to amounts charged back to American by the Company for various acquisition costs.

ITEM 1. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

During the six months ended January 31, 1992 working capital decreased approximately $305,000 principally due to operating losses net of $150,000 of non-cash acquisition costs.

During the six months ended January 31, 1992, the Company had a cash decrease of approximately $111,000 as compared to a cash increase of approximately $942,000 in the comparable period in the previous fiscal year. The decrease in the 1991 period was due primarily to an increase of $377,000 in advances and notes receivable offset by decreases in inventory and trade receivables and increases in accrued expenses. The increase during the 1990 period was due to net proceeds of $1,889,000 from the Company's stock offering. This was offset, in part, by decreases of $927,000 due to operating losses with the discontinued business accounting for $879,000 of this decrease.

As discussed in the Company's annual report for the year ended July 31, 1991 filed on form 10K, the Company has plans to discontinue its food business and merge with American Complex Care, Inc. (ACC). If this occurs the Company's continuing obligations will be absorbed by ACC. If this does not occur the Company has approximately $316,000 in working capital at January 31, 1992, which is sufficient capital resources to settle all outstanding debts and obligations.

Results of Operations

Interest income for the six months ended January 31, 1992 was $13,026. The increase of approximately $7,500 over the same period in 1991 was due to interest earned on the Company's loans to ACC. General and administrative expenses decreased by approximately $34,000 primarily due to a general phase down in operating levels. Acquisition costs of approximately $541,000 in the 1992 period, are offset by $520,000 charged back to ACC. These costs consist of legal, accounting and professional fees and other costs related to the contemplated share exchange with ACC, of which $150,000 are non-cash expenses settled through issuance of common stock. Such non-cash expenses represent $75,000 of legal costs to the law firm handling the contemplated merger, and a $75,000 finder's fee to the individual who initially brought the two companies together, with each party receiving 150,000 shares of the Company's stock. The stock issued for these fees is valued at the fair value of the services rendered, which is equivalent to the fair value of the stock on the date that it was issued.

Interest income for the quarter ended January 31, 1992 was $469. This represented an insignificant increase over the same period in 1991. General and administrative expenses remained approximately the same. Acquisition costs of approximately $210,000 in the 1992 quarter, are offset by $200,000 charged back to ACC. These costs consist of legal, accounting and other costs related to the contemplated share exchange with ACC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LEGEND FOODS, INC.

By: Barry A Mills

Barry A. Mills, Date
Director

By: Robert A. Cosentino

Robert A. Cosentino Date
Director

By:

David M. Barnes, Date
Executive Vice President
and Director

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LEGEND FOODS, INC.

By: ______________________ ________
Barry A. Mills, Date
Director

By: ______________________ ________
Robert A. Cosentino Date
Director

By: David M. Barnes 3/12/92
David M. Barnes, Date
Executive Vice President
and Director

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For The Quarterly Period Ended February 29, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number 0-10035

LESCARDEN INC.
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	13-2538207 (I.R.S. Employer Identification No.)
790 Madison Avenue, New York, N.Y. (Address of principal executive offices)	10021 (Zip Code)

(212) 794-8990
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No ____.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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Class	Outstanding at February 29, 1992
Common stock $.01 par value	6,908,445

430

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Unaudited

LESCARDEN INC.

BALANCE SHEET

	February 29, 1992	MAY 31, 1991
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 64,459	$ 2,100
Inventory Catrix supplies and other	4,349	12,851
Total current assets	68,808	14,951
Property and Equipment, at cost, less accumulated depreciation and amortization	1,527	3,997
Security Deposit	11,240	11,240
Total Assets	$ 81,575	$ 30,188
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 191,828	$ 147,598
Notes payable	735,000	-
Salaries, fees and expenses payable - officers, directors and principal stockholder	243,583	60,761
Total current liabilities	1,170,411	208,359
Notes Payable	-	555,000
Total Liabilities	1,170,411	763,359
Commitments and Contingencies		
Stockholder's Deficiency:		
Convertible preferred stock - $.02 par value; $1.50 liquidation value; authorized, 2,000,000 shares; issued and outstanding 102,000 shares,	2,040	2,040
Common stock - $.01 par value; authorized, 20,000,000 shares; issued and outstanding 6,908,445 shares	69,084	69,084
Additional paid-in capital	9,964,815	9,964,815
Accumulated deficit	(11,124,775)	(10,769,110)
Stockholder's deficiency	(1,088,836)	(733,171)
Total Liabilities and Stockholders' Deficiency	$ 81,575	$ 30,188

LESCARDEN, INC

STATEMENT OF OPERATIONS

(Unaudited)

	FOR THE THREE MONTHS ENDED FEBRUARY 29,		FOR THE NINE MONTHS ENDED FEBRUARY 29,	
	1992	1991	1992	1991
Revenues:				
Interest and other income	$ 1,181	$ 4,384	$ 27,661	$ 42,446
License fees and royalites	6,914	150,000	25,451	150,000
Total revenues	8,095	154,384	53,112	192,446
Costs and expenses:				
Salaries - officers	60,131	58,896	158,714	(12,977)
Salaries - office	11,926	7,500	22,528	22,500
Professional fees	9,157	(30,577)	21,012	42,144
Financing	-	32,035	-	32,035
Research	27,991	32,666	58,764	48,007
Rent and office expenses	15,310	21,105	57,327	80,294
Printing and promotion	-	(7,035)	-	1,239
Travel and meetings	1,267	1,037	1,378	2,731
Employee benefits	3,576	4,185	10,371	7,334
Payroll taxes	4,144	2,547	5,249	7,194
Taxes - other	328	866	1,404	4,126
Insurance	-	-	529	573
Interest	20,189	17,163	54,550	42,940
Depreciation and amortization	823	1,295	2,470	3,885
Other administrative expenses	4,336	2,886	14,481	12,725
Total costs and expenses	159,178	144,569	408,777	294,750
Net loss	$ (151,083)	$ 9,815	$ (355,665)	$ (102,304)
Net loss per share	$(.02)	$(.00)	$(.05)	$(.01)
Weighted average number of common shares outstanding	6,908,445	6,860,112	6,908,445	6,854,279

LESCARDEN INC.

(Unaudited)

STATEMENT OF CASH FLOWS

	FOR THE NINE MONTHS ENDED FEBRUARY 29,	
	1992	1991
Cash Flows used in operating activities:		
Net loss	$(355,665)	$ (102,304)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2,470	3,885
Interest expense	54,550	42,940
Changes in operating assets and liabilities:		
Decrease in other assets		79
Decrease (Increase) inventory Catrix supplies	8,502	(11,875)
Increase in accounts payable and accrued expenses	3,934	6,712
Increase (Decrease) salaries and - fees payable officers, directors - and principal stockholder	168,568	(185,675)
Net cash used in operating activities	(117,641)	(246,238)
Cash flows used in investing activity - purchase of property and equipment	-	-
Cash flows from financing activities:		
Proceeds of notes payable	180,000	300,000
Net proceeds from issuance of common stock	-	12,500
Net cash provided by financing activities	180,000	312,500
Net increase in cash and cash equivalents	62,359	66,262
Cash and cash equivalents - beginning of period	2,100	4,064
Cash and cash equivalents - end of period	$ 64,459	$ 70,326
Supplementary information:		
Cash paid during the period for interest	$ -	$ 229

LESCARDEN INC. (Unaudited)

NOTES TO FINANCIAL STATEMENTS

February 29, 1992

Note 1 - General:

The accompanying unaudited financial statements include all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods. The statements have been prepared in accordance with the requirements for Form 10-Q and, therefore, do not include all disclosures or financial details required by generally accepted accounting principles. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended May 31, 1991. The audit of the Company's Financial Statements for the year ended May 31, 1991 has not been performed due to the lack of financial resources.

The results of operations for the interim periods are not necessarily indicative of results to be expected for a full year's operations.

Note 2 - Reduction in Salaries and Fees Payable - Officers and Directors during the nine months ended February 28, 1991:

In consideration of the obstacle to the success of the Company's financing efforts, holders have agreed to cancel $185,675 of liabilities previously included in " Salaries and Fees Payable - Officers and Directors" in the Balance Sheet. Accordingly, $185,675 has been credited to "Officers salaries" in the statement of operations during the nine months months ended February 28, 1991, respectively.

Note 3 - Interim Financing and Subsequent Event:

During the nine months ended February 29, 1992 the Company received loans due March 15, 1992 for $180,000 with interest at 10%. As these interim loans were not repaid by the due date the lenders are entitled to receive a five year warrant to purchase not less than 51% of the Company's common stock at the exercise price of $1.00.

LESCARDEN INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

To date, the Company has been involved principally in research and development and in the licensing of its technologies for commercialization by other companies. The Company had been a Development Stage Company through May 31, 1989 after which it began commercial operations and realized significant revenues from operations. The Company has had losses from operations in each of the five years ended May 31, 1991. This trend is expected to continue in the foreseeable future. From its inception to May 31, 1991 the Company incurred a cumulative net loss of $(10,769,110) to support its research and development programs and the administration of the Company.

Working capital has been provided since the Company's inception primarily from the proceeds from the sale of stock.

From February, 1989 through May, 1991 the Company received loans, mostly from stockholders, for $555,000. All of these noteholders have agreed to extend the maturity date of their loans to the Company until June 1, 1992. The loans earn interest during the extended period at rates of between 10% and 13.5% per annum.

During the perid from November, 1991 through February 29, 1992, the Company received loans for $180,000 with interest at 10% per annum. As these loans for $180,000 were not repaid by their due date, March 15, 1992, the noteholders are entitled to receive a five year warrant to purchase not less than 51% of the Company's common stock at the exercise price of $1.00.

The Company generally follows a policy of investing the funds derived from these sources in money market instruments until they are required to meet current expenses.

The Company's present liquidity position is critical. Additional financing is required during the fiscal quarter ending May 31, 1992. As of February 29, 1992 the Company's current liabilities exceed current assets by $1,101,603 and its total liabilities exceed its total assets by $1,088,836. Additionally, the audit of the Company's Financial Statements for the year ended May 31, 1991 has not been performed due to lack of financial resources. The Company is seeking additional financing. However, there is no assurance that such efforts will be successful. If such financing is not received the Company will be forced to cease operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

In March 1992, the Company entered into a proposal letter with Stires and Company, Inc. (Stires) for Stires to commence an investment banking relationship with the Company to raise equity and debt financing for the Company. Subsequent to February 29, 1992 the Company received loans for $120,000 with interest at 12% per annum, due June 15, 1992 pursuant to this investment banking relationship.

Effective October 1, 1989 the Company entered into an agreement which grants DONELL, INC. the exclusive world-wide license to the Company's technology and to sell its Catrix material for all topical uses. Under the terms of the agreement, as amended, with DONELL, INC., the Company received license fees totalling $350,000 during the fiscal year ended May 31, 1990. Additionally, license fees of $150,000, were paid by DONELL, INC. to the Company, pursuant to the terms of the agreement, as amended, in February, 1991.

Among the provisions of the agreement as amended, DONELL, INC., a closely held company, which was specifically formed for the purpose of securing these rights from the Company, also agreed to pay the Company a 6% royalty on all product sales an additional 6% royalty on sales commencing on January 1, 1991 until the Company receives additional royalties of $1,000,000, and to purchase all Catrix powder required for their formulations from the Company.

As noted above, the Company is making an effort to develop revenues from OTC, cosmetic and other product uses of its proprietary technology involving cartilage-derived materials. Additionally, the Company intends to concentrate its efforts on clinical trials to confirm Catrix's activity in human patients, and secondarily on basic research and development programs directed toward the isolation and characterization of specific active factors in Catrix. If such programs proceed well the Company believes its prospects to license its products, form a research and development relationship with a major company, or obtain the additional funding required to bring its products to market will be enhanced.

As a result of the history of losses incurred by the Company, the net loss during the year ended May 31, 1990 of $(192,696), and the limited amount of funds currently available to finance the Company's operations, the report of the Company's independent Certified Public Accountants on the Financial Statements as of May 31, 1990, which was

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

included in the Company's Form 10-K for the year ended May 31, 1990, was qualified to indicate that the Company may be unable to continue in existence. Additionally, the audit of the Company's Financial Statements for the year ended May 31, 1991 has not been performed due to lack of financial resources.

The Company has no material commitments for capital expenditures at February 29, 1992.

Results of Operations

Interest and other income decreased in the nine and three months ended February 29, 1992 from the comparative periods in the prior year principally due to lower sales of the Company's Catrix material to its licensee, Donell Inc. However, during these periods royalties from the Company's licensee increased. In February, 1991 license fees of $150,000 were paid by Donell, Inc. to the Company.

Commensurate with the level of funds available, and excluding the effect of the cancellation of the Company's previously accrued officers salaries of $185,675 (See Note 2) total costs and expenses during the nine months and three months ended February 29, 1992 were 15% lower and 10% higher than those of the comparative periods last year.

The decrease during the nine months ended February 29, 1992 was primarily attributable to lower financing expenses (related to a private placement of common stock in the 1991 period that was not completed), professional fees, and rent and office expenses. Interest expense was higher in the current year period, attributable to higher amounts of Notes Payable.

Due to the lack of funds, most of the Company's expenses for the nine months ended February 29, 1992 have not been paid and are included in current liabilities in the Company's Balance Sheet at February 29, 1992.

Professional fees and printing and promotion expenses for the nine months and three months ended February 28, 1991 include the reclassification of $37,500 and $7,035, respectively, that were previously included in such categories and that have been reclassified into officers salaries and financing expenses, respectively.

Officers salaries for the nine months and three months ended February 28, 1991, include the reclassification of $26,682 that was previously included in this category and that has been reclassified into research expense, representing the Company's payments to its Chairman related to his medical practice.

Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K: There were no reports on Form 8-K filed for the three months ended February 29, 1992.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LESCARDEN INC.
(Registrant)

Date: April 8, 1992

John A Prudden
John F. Prudden, M.D.
Chairman of the Board

Date: April 8, 1992

Gerard A. Dupuis
Gerard A. Dupuis
President and Chief
Executive Officer, Director,
(Principal Financial Officer)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10Q

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended February 29, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

PROCESSED
APR 8 1992

Commission File Number: 0-12665

MICRO BIO-MEDICS, INC.
(Exact name of Registrant as specified in its charter)

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Q-Data Corp. - St. Petersburg, FL

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New York	13-2692560
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

846 Pelham Parkway
Pelham Manor, New York
(Address of principal executive offices)

10803
(Zip Code)

Registrant's telephone number, including area code (914) 738-8400

717 South Third Avenue, Mt. Vernon, New York 10550
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The number of shares of Registrant's Common Stock, par value $.03 per share outstanding as of April 6, 1992 was 1,822,852.

MICRO BIO-MEDICS, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED FEBRUARY 29, 1992

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MICRO BIO-MEDICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Months Ended February 29, 1992	Three Months Ended February 28, 1991
Net sales	$11,730,364	$9,526,294
Cost of goods sold	9,074,921	7,250,265
Gross profit	2,655,443	2,276,029
Operating expenses		
Selling, shipping and warehouse	1,384,995	1,257,700
General and administrative	1,061,441	907,549
Interest and financing costs-net	90,175	102,237
Total operating expenses	2,536,611	2,267,486
Income before income taxes	118,832	8,543
Income tax provision	52,300	3,800
Net income	$66,532	$4,743
Profit per common share	$ .04	$ .00
Number of shares used in computing profit per common share	1,814,351	1,774,509
Dividends per common share	None	None

The attached notes are made a part hereof.

MICRO BIO-MEDICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

ASSETS

	February 29, 1992 (UNAUDITED)	November 3 1991
Current Assets		
Cash	$676.448	$1,414,51
Accounts receivable, less allowance for doubtful accounts of $ 217,927 in February 1992 and $ 212,755 in November 1991	8,613,748	10,283,48
Inventory	4,613,550	4,766,12
Prepaid and deferred income taxes	230,776	241,43
Prepaid expenses and other current assets	925,472	488,72
Total current assets	15,059,994	17,194,29
Property, plant and equipment (partially pledged) at cost, net of accumulated depreciation and amortization of $ 1,287,342 in February 1992 and $ 1,221,342 in November 1991	1,214,266	1,115,06
Intangible assets, net of accumulated amortization of $ 398,345 in February 1992 and $ 390,695 in November 1991	1,031,996	1,021,06
Other assets	158,071	158,07
	$17,464,327	$19,488,49

The attached notes are made a part hereof.

MICRO BIO-MEDICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	February 29, 1992 (UNAUDITED)	November 30, 1991
Current liabilities		
Current maturities of long term debt	$259,410	$254,805
Accounts payable	4,338,269	3,828,685
Accrued expenses and sundry liabilities	665,300	999,540
Income taxes		318,000
Total current liabilities	5,262,979	5,401,030
Long-term debt, net of current maturities	6,006,409	8,022,054
Accrued expenses	243,000	243,000
Total Liabilities	11,512,388	13,666,084
Stockholders' equity (Note C)		
Preferred stock $ 1.00 par value Authorized-1,000,000 shares no shares issued or outstanding		
Common stock $.03 par value Authorized - 7,000,000 shares Issued - 1,830,520 in February 1992 - 1,794,185 in November 1991	54,675	53,825
Capital in excess of par value	2,445,802	2,383,652
Retained earnings	3,452,626	3,386,094
Less: 1,167 shares of common stock in treasury at cost	(1,164)	(1,164)
Total Stockholders' equity	5,951,939	5,822,407
	$17,464,327	$19,488,491

The attached notes are made a part hereof.

MICRO BIO-MEDICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Three Months Ended February 29	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$66.532	$4.743
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Expenses not requiring the use of cash:		
Depreciation and amortization	73,650	57,254
Provision for losses on accounts receivable	5.172	9,000
Excercise of employee stock options	13,000	
Issuance of common stock as compensation	50,000	28,125
Changes in assets and liabilities,		
Accounts receivable	1,664,568	1,026,458
Inventory	152,577	(583,261)
Prepaid expenses and other current assets	(436,745)	(247,057)
Other assets		(1,008)
Prepaid and deferred income taxes	10,658	(115,484)
Accounts payable	509,584	579,135
Accrued expenses and sundry liabilities	(334,240)	(270,766)
Income taxes payable	(318,000)	(25,000)
	1,390,224	457,396
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,456,756	462,139

(Continued)

MICRO BIO-MEDICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayments under revolving loan agreements	(1,949,000)	(943,896)
Repayment of long term debt	(62,040)	(59,104)
NET CASH USED IN FINANCING ACTIVITIES	(2,011,040)	(1,003,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(183,783)	(49,871)
Net CASH USED IN INVESTING ACTIVITIES	(183,783)	(49,871)
NET (DECREASE) IN CASH	(738,067)	(590,732)
Cash - beginning of period	1,414,515	1,140,186
Cash - end of period	$676,448	$549,454
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$121,678	$131,992
Taxes	$360,076	$144,066

The attached notes are made a part hereof.

MICRO BIO-MEDICS, INC. AND SUBSIDIARIES
NOTES TO FORM 10-Q
FEBRUARY 29, 1992
(UNAUDITED)

NOTE A

The attached summarized financial information does not include all disclosures required to be included in a complete set of financial statements prepared in conformity with generally accepted accounting principles. Such disclosures were included with the consolidated financial statements of the Company at November 30, 1991, included in its annual report on Form 10-K. Such statements should be read in conjunction with the data herein.

NOTE B

The financial information reflects all normal recurring adjusteents which, in the opinion of management, are deemed necessary for a fair presentation of the results for the interim periods. The results for the interim periods are not necessarily indicative of the results to be expected for the year.

NOTE C - STOCKHOLDER'S EQUITY

On January 23, 1992, the Board of Directors approved the issuance of 25,000 shares of Common Stock to an officer of the Company valued at $4 per share as additional compensation.

On March 12, 1992 the Company filed a Registration Statement with the Securities and Exchange Commission regarding a public distribution of non-transferable rights to purchase an estimated 459,000 Units at $9.00 per Unit. Shareholders will be granted the right to purchase one Unit for every four shares owned as of record on March 31, 1992. Rights, when issued , will be rounded to the nearest lower whole number of Rights. Rights may not be exercised for fewer than 50 Units. No fractional Units will be issued. Each Unit will consist of two shares of the Company's Common Stock and three three-year redeemable Common Stock Purchase Warrants. Any and all Units not purchased by the Company's shareholders in this new financing will be sold to an underwriter who is a member of the National Association of Securities Dealers, Inc. pursuant to a Standby Underwriting on a "firm commitment" basis.

MICRO BIO-MEDICS, INC. AND SUBSIDIARIES
FEBRUARY 29, 1992
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

For the three months ended February 29, 1992 net sales increased 23.1% from the prior year. The increase in net sales resulted from our continuing effort to increase market penetration.

Net operating income for the three months ended February 29, 1992 was .6% of net sales versus .05% for the prior year.

The improved operating performance for the three months ended February 29, 1992 is a result of increased market penetration, decreases in borrowing under the long-term credit agreement and decreases in the interest rates charged by financial institutions.

OPERATING EXPENSES

Gross Profit expressed as a percent of net sales decreased from 23.9% to 22.6% for the three month period ended February 29, 1992 due to changes in the product mix. Selling, shipping and warehouse and general and administrative expenses expressed as a percent of net sales decreased 1.8% for the three months ended February 29, 1992.

INTEREST AND FINANCING COSTS (NET OF INTEREST INCOME)

Interest expense net of interest income expressed as a percent of net sales decreased .3% for the three months ended February 29, 1992 as a result of decreases in the interest rates charged by financial institutions.

LIQUIDITY AND CAPITAL RESOURCES

During the three months ended February 29, 1992 the Company continued to meet its cash needs via cash flow from operations and borrowings.

For the three months ended February 29, 1992, the Company generated cash flow from operating activities. A decrease in accounts receivable and inventory combined with an increase in accounts payable contributed significantly to the Company's positive cash flow. During the three months ended February 29, 1992, the Company's financing activities resulted in a significant net repayment under its long-term credit agreement.

Management believes that its working capital combined with the amounts available under its long-term credit agreement provides sufficient cash flow to meet its short-term and long-term requirements without difficulty and barring any unforseen events should not experience any obstacles in connection with the maintenance of certain covenants as required by the credit agreement.

Item 6 - Exhibits and Reports on Form 8-K

a. Exhibits - None

b. No report on Form 8-K was required to be filed by Registrant during the quarter ended February 29, 1992.

MICRO BIO-MEDICS, INC. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MICRO BIO-MEDICS, INC.
Registrant

Date: April 6, 1992

Bruce J. Haber President
and Chief Executive
Officer

Date: April 6, 1992

Gary L. Butler
Treasurer and Chief
Financial Officer

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Executed Copy

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

11/x
6/1

For quarter ended April 30, 1992 **Commission File Number 0-5622**

PUROFLOW INCORPORATED
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

13-1947195
(I.R.S. Employer Identification No.)

1631 Tenth Street, Santa Monica, California
(Address of executive offices)

90404
(Zip Code)

Registrant's telephone number, including area code: (310) 450-6461

Securities registered pursuant to Section 12(g) of the Act:

Common Stock	Shares Outstanding
Common Stock, $0.06-2/3 Par Value	**3,302,180**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X
No

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Puroflow Incorporated

CONSOLIDATED BALANCE SHEETS

	April 30, 1992	January 31, 1992
ASSETS		
CURRENT ASSETS:		
Cash	$ 84,974	$ 497,203
Accounts receivable		
Trade, net of allowance for doubtful accounts of $141,196 at April 30, 1992 and $133,600 at January 31, 1991	2,431,981	2,864,071
Advances to officers and employees	11,588	10,128
Inventories	3,505,410	3,097,290
Prepaid expenses and uther	364,087	252,331
Income taxes receivable	418,274	
Deferred income taxes	158,385	158,385
Total current assets	6,974,699	6,879,408
NET ASSETS AND LIABILITIES OF DISPOSED SEGMENT	133,785	133,785
PROPERTY AND EQUIPMENT - NET	1,470,067	1,394,362
TOTAL ASSETS	$8,578,551	$8,407,555

	April 30, 1992	January 31, 1992
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Note payable to bank	$1,200,000	$ 900,000
Accounts payable	987,317	1,391,464
Accrued expenses	402,597	392,120
Income taxes payable		444,919
Current portion of long-term debt	417,666	412,589
Total current liabilities	3,007,580	3,541,092
DEFERRED INCOME TAXES	85,141	85,141
LONG-TERM DEBT	1,008,060	1,109,477
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $.10 per share Authorized - 500,000 shares, Issue - None		
Common stock, par value $.06-2/3 per share Authorized - 6,000,000 shares: Outstanding - 3,302,180 at April 30, 1992 and 3,166,830 shares at January 31, 1992	320,154	311,126
Additional paid in capital	1,960,123	1,288,807
Retained earnings	2,287,493	2,161,912
	4,567,770	3,761,845
Less stock subscriptions receivable	(90,000)	(90,000)
TOTAL STOCKHOLDERS' EQUITY	4,477,770	3,671,845
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$8,578,551	$8,407,555

See accompanying notes to the consolidated financial statements.

Puroflow Incorporated

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Quarter Ended April 30,	
	1992	1991
Net Sales	$ 2,451,329	$ 2,941,934
Cost of goods sold	1,663,466	1,961,173
Gross profit	787,863	980,761
Selling, general and administrative expense	533,089	589,933
Operating income	254,774	390,828
Other income and expense:		
Other income	2,784	2,525
Interest expense	<48,277>	<53,210>
Net income before provision for income taxes	209,281	340,143
Provision for income taxes	83,700	135,200
Net income	$ 125,581	$ 204,943
Net income per common share	$ .04	$ .06

Pureflow Incorporated

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Quarter Ended April 30, 1992	1991
Cash flows from operating activities:		
Net income	$ 125,581	$ 204,943
Adjustments to reconcile net income to net cash used in continuing operations:		
Depreciation and amortization	50,250	37,074
Provision for losses on accounts receivable	6,000	6,000
Gain on sale of equipment	<2,000>	
Changes in operating assets and liabilities:		
Accounts receivable	426,090	310,216
Inventories	<408,120>	26,677
Prepaid expenses and other	<96,975>	<32,750>
Accounts payable and accrued expenses	<393,670>	<522,632>
Income taxes payable	<297,100>	<107,130>
Net cash used in continuing operations	<589,944>	<77,602>
Cash flows from investing activities:		
Purchases of property and equipment	<125,955>	<40,125>
Proceeds from disposal of plant and equipment	2,000	
Net cash used in investing activities	<123,955>	<40,125>
Cash flows from financing operations:		
Proceeds from exercise of stock options	114,251	43,749
Deferred offering costs	<14,781>	
Net borrowings (repayments) under note payable to bank	300,000	<200,000>
Principal payments of long-term debt	<96,340>	<95,953>
Advances to officers and employees	<1,460>	<6,276>
Net cash provided by (used in) financing activities	301,670	<258,480>
Net decrease in cash	<412,229>	<376,207>
Cash at beginning of period	497,203	812,155
Cash at end of period	$ 84,974	$ 435,948
Supplemental disclosures of cash flow information:		
Interest paid	$ 46,799	$ 67,707
Income taxes paid	380,800	242,330
Noncash transactions:		
Tax benefits related to the exercise of nonqualified stock options	566,093	
Capital lease obligations		75,358

See accompanying notes to the consolidated financial statements.

Puroflow Incorporated

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 1992 and January 31, 1992

NOTE A -BASIS OF PRESENTATION

The information presented for the three months ended April 30, 1992 and 1991 has not been audited by independent accountants, but includes all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary to a fair statement of the results for such periods.

The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's January 31, 1992 Annual Report on Form 10-K.

The results of operations for the three months ended April 30, 1992 are not necessarily indicative of the results to be expected for the year ended January 31, 1993.

NOTE B - INVENTORIES

Inventories consist of the following:

	April 30, 1992	January 31, 1992
Raw materials and purchased parts	$ 1,842,418	$ 1,851,856
Work in process	1,300,459	996,319
Finished goods	362,533	249,115
Total	$ 3,505,410	$ 3,097,290

NOTE C - NET INCOME PER SHARE

The computation of net income per common share is based on the weighted average number of shares outstanding, including the effect of common stock equivalents (common stock options). The weighted average shares outstanding were 3,405,790 and 3,331,780 shares during the quarter ended April 30, 1992 and the quarter ended April 30, 1991, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Results of Operations

The registrant's principal products consist of automotive airbag filters, ultraviolet water purification products, high performance filters, and fluid control valves. The following table reflects the percentage relationship to net sales of certain items included in the Company's statements of operations for the quarters ended April 30, 1992 and 1991.

	Quarter Ended April 30,	
	1992	1991
Net Sales	100.0%	100.0%
Cost and Expenses:		
Cost of goods sold	67.9	66.7
Selling, general, and administrative	21.7	20.1
Interest expense - net	1.9	1.7
Income from continuing operations before income taxes	8.5	11.5
Provision for income taxes	3.4	4.6
Income from continuing operations	5.1%	6.9%

Comparison of First Quarters ended April 30, 1992 and 1991.

Net sales decreased to $2,451,000, a decrease of 16.7% compared to $2,942,000 in the first quarter of fiscal 1991. The decrease resulted primarily from a temporary decline in airbag filter revenues resulting from the customer's transition to a new model of airbag filters designed and manufactured by the Company and a decrease in sales of high performance filters and fluid control valves. Sales of airbag filters decreased by approximately $257,000 or 29.8% from the prior year's first quarter. Sales of high performance filters decreased by $115,000, representing a decline of 10.4% from the first quarter of fiscal 1991 due to generally lower demand for filters while sales of fluid control valves decreased by $143,000 or 33.9% as compared to the first quarter of fiscal 1991. The Company expects sales of high performance filters to benefit from the acquisition of inventory and certain additional assets of Michigan Dynamics, Inc. (MDI) completed in June 1992. Sales of water purification products increased by approximately $24,000 or 4.3% over the prior year's first quarter.

Gross profit as a percentage of sales decreased by 1.2% for quarter 1992 from 33.3% for quarter 1991. This decrease was the result of changes in product mix from the prior period, with lower margins experienced on sales of certain filter and water purification products.

Selling, general and administrative expenses were $533,000 for quarter 1992 and $590,000 for the quarter ended April 30, 1991, representing a decrease of 9.7%, but an increase as a percentage of net sales from 20.1% to 21.7%. The decrease was primarily due to expenses associated with decreased sales volume.

Liquidity and Capital Resources

The Company has financed its recent growth primarily through profitable operations and borrowings.

As of April 30, 1992, working capital increased to $3,967,000 from $3,338,000 at April 30, 1991, due primarily to income from continuing operations and income tax benefits of approximately $566,000 resulting from the exercise of non-qualified stock options. The Company's current ratio was 2.4 to 1 at April 30, 1992 and 1.9 to 1 at April 30, 1991.

The Company's long-term debt at May 31, 1992, including the current portion thereof, was $1,416,000, consisting of notes payable to the Company's bank, due July 5, 1995 or thereafter in the amount of $1,340,000 under a term loan with its bank and capitalized lease obligations. Principal under the Company's term loans accrue interest at the bank's prime rate plus 1.25% (7.75% at May 31, 1992) and are secured by accounts receivable, inventories, equipment purchased with the loan proceeds and all other unencumbered assets of the Company. The terms of the agreements contain certain restrictive covenants including maintenance of minimum working capital, net worth, and ratios of current assets to current liabilities and debt to net worth.

The Company has a revolving line of credit with its bank under which it may borrow up to $1,500,000 through June 4, 1993. Outstanding balances accrue interest at the bank's prime rate plus 1.0% (7.5% at May 31, 1992). The line is also collateralized by accounts receivable, inventories and all other unencumbered assets of the Company. The terms of the agreement contain certain restrictive covenants including maintenance of minimum working capital, net worth, and ratios of current assets to current liabilities and debt to net worth. The Company had an outstanding balance of $1,425,000 under this agreement at May 31, 1992.

In June 1992, the bank granted an additional $1,000,000 five year term loan, with interest at the bank's prime rate plus 1.25%, for the recently completed purchase of inventory, certain equipment, and intangibles of a company (MDI) that had previously filed for protection under the U.S. bankruptcy laws. MDI was a manufacturer of high performance filters, chemical process filter systems, and filter elements. In connection with the purchase, the MDI facility was closed and its inventory and certain equipment are being shipped to the Company's facilities in Santa Monica, California.

Management may consider additional acquisitions of business and product lines in the future to enhance the Company's current operations. The Company may use existing funds, earnings from operations, proceeds of the Proposed Offering, if consummated, bank borrowings and other methods of financing in order to finance any such acquisitions.

The Company believes that its existing working capital together with anticipated cash from operations and borrowings under its bank arrangements will be sufficient to meet its working capital needs for the next twelve months.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In May 1992, the Company commenced an action in Superior Court of the State of California, Los Angeles County, against Micro-Numerics, Inc., a former subcontractor and sublessee of a portion of the Company's leased facility, and its principal, Louis Ravay. The Company is seeking a writ of possession for the return of four wire-winding machines used to assemble airbag filters which were being fabricated by the defendants for the Company (to supplement the four machines which have been, and currently are being, operated by the Company) as well as general damages. The court has entered a temporary restraining order against the defendants to prevent the destruction or sales of the machines which are the subject of the dispute. Micro-Numerics has filed a separate complaint against the Company, its chief executive officer and another Company employee seeking payment of $67,600 allegedly due from the Company under subcontract purchase orders, as well as compensatory and punitive damages related to the Company's alleged unlawful entry onto Micro-Numerics' premises and related injunctive relief. The Company intends to vigorously pursue its rights in these actions.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

Acquisition of Assets

On June 4, 1992, the Company concluded the acquisition of certain of the assets of Michigan Dynamics, Inc. ("MDI"), a company primarily engaged in manufacturing, distributing and selling high performance filters and chemical process filters and systems. The acquisition was consummated pursuant to an Order by the United States Bankruptcy Court for the Eastern District of Michigan, Southern Division, dated as of June 4, 1992, approving the acquisition pursuant to the Asset Purchase Agreement dated as of April 30, 1992 (the "Agreement"). The Agreement was executed by the Company and MDI and consented to by MDI's parent, Fuji Filter Manufacturing Co., Ltd. ("Fuji Filter") and MDI's senior secured creditor, NBD Bank, N.A., following the filing by MDI of a voluntary bankruptcy petition under Chapter 11 of the United States Bankruptcy Code on April 15, 1992. All descriptions contained herein of transactions between the Company and third parties and the agreements relating thereto are qualified in their entirety by the text of the agreements attached hereto as exhibits. The principal assets acquired by the company consists of certain intangible assets (such as customer lists, ongoing contracts and purchase orders, and trade names), all the inventory of MDI and certain specialized machinery and equipment.

Pursuant to the Agreement, the Company made a cash payment to MDI of $960,200 (subject to downward adjustment of up to $10,000 under certain circumstances). In addition, in order to obtain the benefit of certain contracts (the "Contracts"), the Company may be required to pay cure costs (not to exceed 4% of the purchase price, as adjusted) in respect of past defaults under the Contracts existing on the date of closing (the "Cure Costs") and to assume MDI's obligations under the contracts (the "Contract Obligations"). The Company is not assuming any liabilities of MDI, other than the Cure Costs and the Contract Obligations, and has not acquired any of the facilities or employees of MDI under the terms of the Agreement. Prior to the consummation of the acquisition, the Company agreed to perform under certain Contracts for MDI as a subcontractor, and in return for such services MDI assigned to the Company the accounts receivable generated by the Company under the subcontract arrangements. The Company advanced approximately $22,000 to MDI to permit MDI to perform under certain other contracts and to generate new contracts; these advances are not subject to repayment.

The Agreement also provides that the Company and Fuji Filter may enter into an agreement pursuant to which the Company will be Fuji Filter's exclusive agent in the United States for products manufactured or distributed by Fuji Filter which are competitive with MDI's product lines.

As a separate matter and not as a condition to closing, the Company entered into a two-year employment agreement dated May 18, 1992 with Joseph B. Jasso, President of MDI, commencing June 8, 1992.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

The following document is filed as an exhibit in response to Item 14(C), as exhibit required by Item 601 of regulation S-K.

Exhibit Number	
10.20	Asset purchase agreement dated as of April 30, 1992 among the company, Michigan Dynamics, Inc. and consented and agreed to by Fuji Filter Manufacturing Co., LTD and consented to by NBD Bank, N.A.(1)
10.21	Employment agreement dated May 18, 1992 between the Registrant and Joseph B. Jasso.

B. Reports on Form 8-K

The information required is hereby incorporated by reference to the Form 8-K dated April 6, 1992 filed with the securities and exchange commission reporting the retirement after 30 years of service of an Officer and Vice Chairman of the Board of Directors of the Registrant.

---

(1) Incorporated by reference to the Company's registration statement on Form S-1, Amendment No. 1, filed with the Securities and Exchange Commission on May 13, 1992, Registration No. 33-43228.

EXHIBIT 10.21

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is made and entered into as of the 18th day of May, 1992, by and between Puroflow Incorporated, a Delaware corporation (the "Company"), and Joseph B. Jasso ("Employee"). In consideration of the terms, conditions and covenants contained herein, the parties hereto agree as follows:

1. Definitions. Unless the context otherwise requires, all capitalized terms not otherwise defined herein have the meanings set forth in the Asset Purchase Agreement dated as of April 30, 1992, by and among the Company and Michigan Dynamics, Inc., a Michigan corporation and debtor-in-possession ("MDI"), and consented and agreed to by Fuji Filter Manufacturing Co., Ltd., a corporation organized under the laws of Japan, and consented to by NBD Bank, N.A., a national banking association (the "Asset Purchase Agreement"), pursuant to which the Company is to acquire certain assets of MDI.

2. Term. The Company hereby agrees to employ Employee, and Employee hereby agrees to accept such employment, on the terms and conditions hereinafter set forth. The term of this Agreement shall commence on the Closing Date and continue until the second anniversary thereof (the "Second Anniversary Date"), and shall thereafter be automatically renewed for successive one-year periods unless terminated by written notice given by either party not less than 60 days prior to the Second Anniversary Date or any successive anniversary date thereafter, and in each case, unless sooner terminated as hereinafter provided (the period Employee actually renders services to the Company hereunder is referred to herein as the "Term").

3. Services and Duties. Employee shall serve as President of the Aerospace Division and be subject to the supervision and direction of the Company's Chief Executive Officer (the "CEO") and Board of Directors (the "Board"). The Aerospace Division shall initially be responsible for the operation of substantially all of the Purchased Assets other than the Purchased Assets related to the production of chemical process/polymer systems and filter elements, but may thereafter become responsible for additional or fewer product lines and may conduct other business on behalf of the Company. The Company agrees that the Aerospace Division shall receive no less support (in terms of space, labor, access to raw materials, etc.) than other similarly-situated divisions or subsidiaries of the Company, taking into account the respective operations of such divisions or subsidiaries. Employee shall also serve, for no additional compensation, in such additional capacities for the Company and its affiliates (each of which shall be commensurate with Employee's experience

and seniority) as the Board shall determine. Employee shall diligently perform all acts that are customary or appropriate for such positions, and all other acts as may be reasonably requested by the CEO or the Board or persons acting on his or its behalf. Employee will devote his full time and exclusive attention to, and use his best efforts to advance, the business and welfare of the Company. Employee shall not, during the term of this Agreement, engage in any other employment or any non-passive investment activities for any direct or indirect remuneration without the written approval of the Board or in any activity inconsistent with the best interests of the Company.

4. Compensation.

(a) Base Salary. During the Term, the Company shall pay Employee a base salary at the annual rate of $83,200, payable in equal semi-monthly installments. Employee's salary shall be subject to review by the Board each year during the Term, in accordance with the Company's normal salary review policies.

(b) Incentive Compensation. Employee shall be entitled to receive such discretionary bonus compensation based upon his performance as the Board may from time to time determine in its sole discretion. It is understood by Employee that the payment of such discretionary bonus compensation shall be dependent upon the Aerospace Division achieving earnings before interest and taxes during such year equal to or greater than the amounts set forth on the line entitled "Operating Income" on Exhibit A attached hereto. (Exhibit A, as it may be amended from time to time hereafter in accordance with this Section 4(b), is referred to herein as the "Budget.") If in Employee's reasonable opinion, the operations of the Aerospace Division materially change as a result of the addition or deletion of additional product lines or businesses therefrom, Employee shall produce a revised Budget which shall cover the next succeeding three years and deliver it to the CEO. Employee shall also produce a revised Budget at the request of the CEO or the Board in the event that either or both of them shall determine that the operations of the Aerospace Division have materially changed. Each of the Company and Employee agree to negotiate in good faith to reach agreement as to a revised Budget whenever required to do so hereunder. Once a revised Budget has been agreed to between Employee and the CEO or Board, Employee's discretionary bonus compensation shall be determined with reference to such revised Budget. The bonus compensation, if any, shall be due and payable to Employee not later than thirty days after the date that final audited financial statements are available with respect to the Company's fiscal year then ended, beginning with the year ending January 31, 1993.

(c) Sale of the Company. In the event of a Sale of the Company (as hereinafter defined) and the termination of Employee's employment hereunder by the Company solely as a result thereof, the Company shall continue to pay Employee 85% of his base salary, in the installments set forth in Section 4(a), until the earlier of: (i) the first anniversary of Employee's termination (unless the Sale of the Company and Employee's resulting termination occur less than one year after the Closing Date, in which case this clause (i) shall be deemed to read "the Second Anniversary Date"); and (ii) the date upon which Employee commences other employment or conducting a new business or venture. In addition, the amount of any declared but unpaid bonus compensation shall be paid to Employee on the date of such termination. For the purposes of this Agreement, the term "Sale of the Company" shall mean a sale of all or substantially all of the Company's assets (as determined on a consolidated basis), or a sale of all of the Company's common stock (by merger or otherwise), other than in connection with a corporate reorganization.

(d) Taxes. Any and all sums payable hereunder to Employee may be subject to all federal, state and municipal laws or government regulations now or hereafter in existence requiring withholding, deduction or payment therefrom of sums for income or other taxes payable by or assessable against Employee. The Company shall have the right to act thereon in accordance with its good faith interpretation of any such laws or regulations.

5. Other Benefits. Employee will be entitled to participate in the health and benefit programs that the Company generally makes available to its executive officers including without limitation group hospitalization, group disability, medical and dental plans, group life insurance and any applicable retirement programs. Subject to the Company obtaining the requisite approvals to increase the number of shares available under its Stock Option Plan (the "Plan"), Employee will also receive, as soon as practicable after commencement of the Term and on the first anniversary date of his employment hereunder, options granted under and in accordance with the Plan to purchase 10,000 shares of the Company's common stock at an exercise price equal to the fair market value of such shares on the date of grant. Such options shall expire five years after the date of grant or earlier in accordance with the Plan. The Company agrees to seek the requisite approvals to increase the number of shares available under the Plan so as to enable it to grant Employee the options to purchase 20,000 shares set forth herein. The Company reserves the right, but is under no obligation, to grant options to Employee to purchase shares of its common stock outside the Plan.

6. Business Expenses. The Company will reimburse Employee for his reasonable and necessary travel, entertainment, and other business expenses incurred in the course of performing his duties and obligations with respect to the business of the Company, in accordance with the then prevailing policy of the Company, which

shall include appropriate itemization and substantiation of expenses incurred.

7. Relocation Expenses. If the Company determines to relocate Employee to a business location beyond a 50-mile radius of Garden City, Michigan, the Company shall pay the reasonable moving costs for Employee and his spouse from Michigan to such new location, in an aggregate amount not to exceed $7,500.

8. Vacation. Employee shall be entitled to an annual vacation of four weeks in each calendar year during the Term. For the calendar year during which Employee's employment hereunder commences or terminates, Employee shall be entitled to such proportion of his annual vacation entitlement as the period of his employment for such year shall bear to one calendar year. Employee may not, without the written consent of the Company, carry forward any unused part of his vacation entitlement to a subsequent calendar year. Upon termination of Employee's employment hereunder, Employee shall be entitled to the cash equivalent of any accrued but unused vacation time, computed at his base salary rate. If Employee voluntarily terminates his employment hereunder or if Employee's employment is terminated for cause, Employee shall be required to repay to the Company any salary he received with respect to vacation taken in excess of his proportionate vacation entitlement as of the date of termination.

9. Automobile. During the term of this Agreement, the Company shall provide Employee with a car allowance of $500 per month. Employee shall be responsible for any and all federal, state or local income taxes or other governmental or regulatory charges imposed in connection with the automobile allowance provided under this Section 9. Employee shall pay all reasonable maintenance and repair expenses, insurance costs, personal property taxes and registration fees for such automobile.

10. Death or Disability of Employee.

(a) Death. In the event of the death of Employee during the Term, his employment hereunder shall terminate effective as of the date of Employee's death and the Company shall have no further obligations or liabilities hereunder, except that the Company shall pay (in addition to and without regard to any other benefits due under any insurance or other plan of the Company or other person or entity) to Employee's estate, (i) the pro rata portion, if any, of Employee's base salary and unused vacation time for the period up to the date of death which remains unpaid, (ii) any declared but unpaid bonus compensation which is an outstanding obligation of the Company on the date of Employee's death, and (iii) an amount equal to any unreimbursed business expenses incurred prior to Employee's death in accordance with Section 6.

(b) Disability. In the event of the Disability (as hereinafter defined) of Employee, the Company shall thereafter have the right to terminate Employee's services hereunder by giving the Employee written notice thereof and thereafter the Company shall have no further obligations or liabilities under this Agreement; provided, however, that during the period of Employee's Disability prior to the delivery of such notice, the Company shall pay to Employee his base salary, in the installments set forth in Section 4(a) hereof, but such installments shall be reduced by all amounts paid to Employee on account of disability or other insurance, worker's compensation, social security or other payments made to Employee arising out of his Disability; and provided further that, notwithstanding the foregoing, such payments by the Company shall cease prior to the delivery of such notice upon (i) the expiration of the Term pursuant to Section 2 hereof or (ii) the earlier termination of this Agreement pursuant to Sections 12 or 13 hereof. The term "Disability" when used herein, shall mean a mental or physical condition which renders Employee unable or incompetent to perform, on a full-time basis, all of the duties which he is required to perform under this Agreement for an aggregate of 60 days during any period of 150 days.

11. Covenants Against Competition.

(a) No Competing Employment. During the Term, Employee shall not, as the owner, individual proprietor, principal, partner, stockholder, officer, employee, independent contractor, consultant, director, joint venturer, investor, lender or in any other capacity whatsoever, alone or in association with any other person, carry on, be engaged or take part in, or render services to, own, share in the earnings of or invest in the stocks, bonds, or other securities of any entity engaging in the business of the Company; provided, however, that Employee may own, as an investor, securities of any person engaged in the business of the Company, so long as (i) the securities of such entity are registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended, and (ii) Employee, his affiliates and members of his family own in the aggregate not more than 5% of such entity's voting stock. Employee hereby acknowledges that any such breach or threatened breach of this covenant not to compete would cause the Company irrevocable harm. Therefore, in addition to any other remedies at law or equity available to the Company, the Company shall be entitled to apply for and obtain an injunction enjoining any breach or threatened breach by Employee of this Section 11(a), without posting bond.

(b) No Interference. During the Term, and for a period of two years thereafter, Employee shall not, whether for his own account or for the account of any other individual, partnership, firm, corporation or other business organization (other than the Company or its affiliates), solicit, endeavor to entice away from the Company, or otherwise interfere with the relationship of the Company with any individual, partnership, firm, corporation or other business organization (i) which is employed at the time of termination or expiration of this Agreement by, or otherwise engaged to perform services for, the Company (including, but not limited to, any independent contractors or organizations) or (ii) which was employed by, or otherwise engaged to perform services for, the Company (including, but not limited to, any independent contractors or organizations) at any time during the three-year period immediately preceding the termination or expiration of this Agreement. This Section 11(b) shall survive any termination or expiration of this Agreement.

(c) Confidential Information. Employee shall keep secret and retain in the strictest confidence, shall not reveal, divulge or make known to any person, firm, corporation or other business organization (other than the Company and its affiliates), and shall not use for his benefit or the benefit of others, any secret, confidential or proprietary information of, used by or concerning the Company, its affiliates or MDI, acquired or learned by him heretofore or hereafter, including, without limitation, creative ideas, "know-how," trade secrets, customer lists, details of customer or supplier contracts, pricing policies, operational methods, marketing plans or strategies, business plans and other business affairs of the Company, its affiliates or MDI learned by him heretofore or hereafter unless the same is available, other than as a result of prohibited disclosure, from public documents and sources generally available to persons in the industry of the Company, or as are required to be disclosed by law or subpoena. The knowledge and information which Employee has or shall acquire and develop during his employment by the Company respecting such secret, confidential or proprietary information shall be held by him in trust for the sole benefit of the Company, its affiliates and their respective successors and assigns. The provisions of this Section 11(c) shall apply regardless of whether such information is or was developed, devised or otherwise created in whole or in part by Employee's efforts. This Section 11(c) shall survive any termination or expiration of this Agreement.

(d) Property of the Company. All written materials, memoranda, notes, lists, records and other documents or papers (and all copies thereof) and all other materials, however stored or recorded, including such items stored in computer memories, microfiche or by any other means, made or compiled by or on behalf of Employee or coming into his possession, containing any confidential, proprietary or trade secret information concerning the business or affairs of the Company, are and shall be the Company's property and shall be delivered to the Company promptly upon the termination or expiration of Employee's employment or at any other time upon request of the Company.

12. Termination by the Company.

(a) Termination For Cause. If Employee shall breach any fiduciary duty to the Company or any of its affiliates, fail or refuse to perform the duties required of him hereunder (as determined in accordance with Section 3), willfully violate any law, rule or regulation (other than traffic violations or similar misdemeanor offenses), or negligently or intentionally cause material damage to the relations of the Company or any affiliate thereof with customers or suppliers, or misappropriate or disclose proprietary information or confidential records of the Company or any of its affiliates, or if Employee shall exhibit gross negligence, personal dishonesty, incompetence, malfeasance, or personal impropriety in his performance of his duties or obligations to the Company, or for other good cause, the Company may at its option immediately terminate this Agreement by giving written notice to Employee. The Company may also terminate this Agreement immediately at its option by giving written notice to Employee in the event that the operation of the Aerospace Division does not achieve annual earnings before interest and taxes in any year during the term hereof in an amount equal to or greater than the amount for such year set forth on the line entitled "Operating Income" on Exhibit A attached hereto; provided, however, that in the event that a revised Budget is agreed to as set forth in Section 4(b), the Company will have a right to terminate this Agreement in the event that the annual earnings before interest and taxes of the Aerospace Division in any year is not equal to or greater than the amount therefor set forth in such revised Budget. The Company may also terminate this Agreement immediately at its option by giving written notice to Employee in the event that Employee and the CEO or Board fail to agree to a revised Budget within 60 days after a request for such revised Budget was made by either Employee, the CEO or the Board. If Employee is terminated under this Section 12(a), Employee shall no longer be entitled to any compensation or other benefits hereunder after such termination for cause.

(b) Termination for Convenience. In the event that the Company terminates Employee's employment hereunder other than pursuant to the provisions of Sections 2 or 12(a) above, the Company shall (x) continue to pay Employee his base salary, in the installments set forth in Section 4(a) hereof, until the earlier of (i) the first anniversary of the date of termination, (ii) the expiration of the Term under Section 2, or (iii) the date Employee commences other employment or conducting a new business or venture; and (y) pay Employee any declared but unpaid bonus compensation and any unreimbursed business expenses which, in each case, are outstanding obligations of the Company on the date the Company notifies Employee of his termination under this Section 12(b) (or on the date of delivery of the Employee Termination Notice pursuant to Section 13, if applicable). The Company shall have no right to terminate Employee's employment under this Section 12(b) prior to the first anniversary of the

Closing Date, unless the Company continues to pay Employee his base salary, in the installments forth in Section 4(a) hereof, until the earlier of (i) the Second Anniversary Date or (ii) the date Employee commences other employment or conducting a new business or venture. If Employee is terminated under this Section 12(b), Employee shall be entitled to no other compensation or benefits whatsoever except as expressly set forth herein.

13. Termination by Employee. Upon delivery of written notice of termination to the Company (the "Employee Termination Notice"), Employee may terminate this Agreement and cancel his obligations to the Company hereunder upon the occurrence and continuance of any of the following events: (i) the Company shall wrongfully default in the due and punctual payment of Employee's base salary or (ii) the Company shall have breached any other material agreement contained in this Agreement, and, in each case, such default or breach shall continue unremedied for more than 30 business days after written notice thereof shall have been given by Employee to the Company. A termination by Employee pursuant to this Section 13 shall be deemed a termination by the Company for convenience under Section 12(b) hereof as of the date of delivery of the Employee Termination Notice, and Employee shall be entitled to no other compensation or benefits whatsoever after the date of delivery thereof, except as expressly set forth in Section 12(b).

14. Further Cooperation. Upon termination of Employee's employment hereunder pursuant to Sections 12 or 13 hereof, Employee agrees to cooperate with the Company and its management for a period of up to thirty days following the termination date at the Company's request to assist the Company in the transition to a new management of the Aerospace Division.

15. Equitable Relief. Employee acknowledges that the services to be rendered by him hereunder are of a special, unique, original and intellectual character which give them peculiar value. The Company and Employee agree that a monetary remedy for breach of the agreements set forth herein shall be inadequate, and will be impracticable and extremely difficult to prove, and further agree that such a breach will cause the Company irreparable harm, and that, in addition to any other rights or remedies available to the Company, the Company is entitled to temporary and permanent injunctive relief without the necessity of proving actual damages. Further, Employee expressly agrees that the covenants contained in Sections 11(a) through 11(d) are reasonable and necessary for the protection of the Company and its affiliates. It is the intention of the Company and Employee that such Sections 11(a) through 11(d) be enforceable to the maximum extent permitted by law and, to that end, the Company and Employee understand and agree that such provisions may be modified by a court, acting in law or in equity, to ensure the enforceability thereof. The provisions of

this Agreement shall each be deemed severable, and the validity or unenforceability of any one or more of the provisions herein shall not effect the validity or enforceability of the other provisions.

16. Assignment. This Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns. This Agreement is personal to Employee and shall not be assigned, transferred, hypothecated or pledged or in any way encumbered by Employee and Employee may not assign all or any part of his interest under this Agreement without the prior written consent of the Company.

17. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, notwithstanding any choice of law principles or rules of such State or any other State to the contrary.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument. The headings of the Sections of this Agreement are inserted for convenience only and shall not constitute a part hereof.

19. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the employment of Employee by the Company and supersedes all prior and contemporaneous agreements, representations and understandings of the parties. No modification, amendment, supplement or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto and executed by both parties.

20. Severability. To the extent that the terms set forth in this Agreement or any word, phrase, clause or sentence is found to be illegal or unenforceable for any reason, the balance of this Agreement shall not be affected thereby, such balance being construed as severable and independent, and the remaining portion of this Agreement shall remain in full force and effect as if this Agreement had been executed with the invalid provision eliminated.

21. Notices. All notices, requests and other communications under this Agreement shall be in writing and shall be deemed to have been delivered and received five days after having been mailed in a general or branch post office and enclosed in a registered or certified post-paid envelope; one day after having been sent by overnight courier for arrival on a business day and otherwise on the next succeeding business day thereafter; when personally delivered or when sent by facsimile communications equipment of the sending party on a business day and otherwise on the next succeeding business day; and, in each

case, addressed to the respective parties at the addresses stated below or to such other changed addresses that the parties may have fixed by notice in accordance herewith.

If to the Company:

Puroflow Incorporated
1531 Tenth Street
Santa Monica, California 90404
Attention: George Solymar
Chief Executive Officer
Telephone: (310) 450-6461
Telecopier: (310) 450-4598

If to Employee:

Joseph B. Jasso
1069 Kings Court
Canton, MI 48188
Telephone: (313) 981-5497
Telecopier: (313) 981-4740

22. Waiver. The failure to enforce at any time any of the provisions of this Agreement, or to require at any time performance by the other party of any of the provisions hereof, shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement or any part hereof, or the right of either party thereafter to enforce each and every provision in accordance with the terms of this Agreement. A waiver of any term or condition of this Agreement by any party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach or failure of the same term or condition, or a waiver of any other term or condition of this Agreement.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the date first set forth above.

THE COMPANY:

Puroflow Incorporated

By: George Solymar
George Solymar,
Chief Executive Officer

EMPLOYEE:

Joseph B Jasso
Joseph B. Jasso

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed and on its behalf by the undersigned thereto, duly authorized.

PUROFLOW INCORPORATED

By George Solymar
George Solymar
President and Chairman of the Board

By Benjamin T. Picazo
Benjamin T. Picazo
Treasurer and Principal Financial Officer

Date: June 12, 1992

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10 - Q

Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934

0-16608

For Quarter Ended February 29, 1992 Commission File No. (33-9985-NY)

Radon Testing Corporation of America, Inc.
(Exact name of registrant as specified in its charter)

New York	13-3324692
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

50 South Buckhout Street, Irvington, New York	10533
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (914) 591-4304

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to the filing requirements for the past 90 days.

YES ________ NO X

Registrant's Shares Outstanding 6,717,990

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RADON TESTING CORPORATION OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	February 29, 1992 (Unaudited)	November 30, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,663	$ 451
Accounts receivable	61,635	52,102
Inventory	33,979	33,979
Deposit	-	5,000
Prepaid expenses	4,400	4,400
TOTAL CURRENT ASSETS	102,677	95,932
PROPERTY AND EQUIPMENT (net of accumulated depreciation of $582,475 for 1992 and $534,475 for 1991)	364,267	272,290
OTHER ASSETS - Security deposits	12,817	12,235
TOTAL ASSETS	$ 479,761	$ 380,457

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

	February 29, 1992 (Unaudited)	November 30, 1991
CURRENT LIABILITIES:		
Note payable - current portion	$ 53,712	$ 6,032
Accounts payable	184,187	164,636
Accrued expenses	271,031	275,004
Accrued officers' salaries	491,756	455,221
Notes payable - officer	5,000	5,000
	1,005,686	905,893
OTHER LIABILITIES - Note payable	73,800	-
TOTAL LIABILITIES	1,079,486	905,893
STOCKHOLDERS' DEFICIENCY:		
Common stock-par value $.001 per share; authorized 15,000,000 shares, issued and outstanding 6,717,990 shares in 1992 and 1991.	6,718	6,718
Additional paid-in capital	2,333,230	2,333,230
Accumulated deficit	(2,939,673)	(2,865,384)
TOTAL STOCKHOLDERS' DEFICIENCY	(599,725)	(525,436)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 479,761	$ 380,457

RADON TESTING CORPORATION OF AMERICA, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended February 29, 1992	For the Three Months Ended February 28, 1991
FEE INCOME	$140,345	$163,810
OPERATING EXPENSES:		
Direct costs	25,840	72,490
Selling and shipping	60,410	50,725
General and administrative	84,045	86,008
Depreciation and amortization	48,000	44,300
TOTAL OPERATING EXPENSES	218,295	253,523
(LOSS) BEFORE INTEREST AND OTHER INCOME	(77,950)	(89,713)
INTEREST INCOME	3,661	-
NET (LOSS)	$(74,289)	$(89,713)
Net (Loss) Per Share	(.01)	(.01)
Weighted Average Number of Shares Outstanding	6,717,990	6,717,990

See Notes to Consolidated Financial Statements.

RADON TESTING CORPORATION OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Three Months Ended February 29, 1992	February 28, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (Loss)	$(74,289)	$(89,713)
Adjustments to reconcile net (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	48,000	44,300
(Increase) in accounts receivable	(9,533)	(37,025)
Decrease in deferred expenses	-	9,600
Decrease in deposit	5,000	-
Decrease in refund receivable	-	15,080
Increase in accounts payable	19,551	18,883
Increase in accrued expenses	32,562	42,500
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,291	3,625
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(139,977)	(1,078)
Increase in security deposits	(582)	(200)
NET CASH (USED IN) INVESTING ACTIVITIES	(140,559)	(1,278)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of note payable	(1,490)	(1,452)
Payments of loan payable - officer	-	(2,800)
Proceeds from note payable	122,970	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	121,480	(4,252)
NET INCREASE (DECREASE) IN CASH	2,212	(1,905)
CASH - BEGINNING OF PERIOD	451	2,080
CASH - END OF PERIOD	$ 2,663	$ 175
SUPPLEMENTARY DISCLOSURES:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

See Notes to Consolidated Financial Statements.

RADON TESTING CORPORATION OF AMERICA, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

In the opinion of the Registrant's managment, the accompanying unaudited financial statements include all adjustments (consisting only of normal adjustments) necessary for a fair presentation of the financial position of the registrant at February 29, 1992 and November 30, 1991, and the results of its operations and its cash flows for the three months ended February 29, 1992 and February 28, 1991.

2. EARNINGS PER SHARE

Earnings per common share were computed using the weighted average number of shares outstanding during the period.

(Shares issuable under stock options and warrants have been excluded from this average because their effect is not dilutive).

3. GOING CONCERN

The Company has experienced consolidated losses of $335,693, $640,491, $895,653 and $425,642 and $423,582 during fiscal years ended 1991, 1990, 1989, 1988 and 1987, respectively.

During the first quarter of fiscal year 1992, the Company purchased certain assets of a Company in the radon industry that had filed for bankruptcy under Chapter 7. As a result of the acquisition, the Company believes that it has gained market share in the radon industry through the successful solicitation of accounts previously serviced by the competitor.

Additionally, as part of the agreement, the Company acquired an Inductively Coupled Plasma - Mass Spectrometer. The Company intends to use this equipment to analyze drinking water for lead and other heavy metals. The Company plans to market mail order water test kits during the third quarter of fiscal year 1992 and will report results to the customer in the same manner that it does with radon.

The Company is also diversifying into other environmental testing services for sale to its existing distribution network, and which complement the Company's radon business. The Company will distribute monitors to measure carbon monoxide and carbon dioxide. The marketing costs associated with the sale of these services is expected to be minimal as they will be sold to RTCA's current distribution network. The Company also intends to do on-site field work testing lead in paint.

The Company believes that fee income generated from the sale of these additional services will contribute to the funding of current operations. Although the Company plans to market these services so that they are competitively priced, there are no assurances that the Company will be suceessful in its efforts to distribute these environmental testing services.

The Company has been seeking additional financing through a private placement for diversification into other environmental testing services, but has not been successful in its pursuit to date.

Management's Discussion and Analysis of Financial Condition and Results of Operations.

This analysis of the Company's financial condition, capital resources and operating results should be viewed in conjunction with the accompanying financial statements, including the notes thereto.

Liquidity and Going Concern

As a result of net losses during fiscal years ended 1991, 1990, 1989, 1988 and 1987 of $335,693, $640,491, $895,653, $425,642 and $423,582, respectively, the Company's independent public accountants have qualified their opinion with respect to the Company's financial statements. During the first quarter of fiscal year 1992, the Company had a net loss of $74,289. At February 29, 1992 the Company had $2,663 of cash and negative working capital in excess of $903,000 due primarily to accrued expenses of approximately $762,000. The negative working capital is primarily a result of the Company's inability to generate sufficient revenues to offset its cost of operations. The accrued expenses consist of liabilities incurred, but not yet paid for, including employment contracts in the amount of $491,756 and costs associated with canisters out in the field, but not yet received for analysis, in the amount of $271,031.

In the first quarter of fiscal year 1992, the Company generated approximately $21,000 from operating activities. During the first quarter of fiscal year 1992, cash provided by financing activities was approximately $122,000, as a result of the Company investing approximately $140,000 for the acquisition of equipment. Based on the current level of available cash, collection of accounts receivable and anticipated fee income from the addition of other environmental testing services, the Company expects to be able to fund its current day to day operations during the next twelve months.

During the first quarter of fiscal year 1992, the Company purchased certain assets of a Company in the radon industry that had filed for bankruptcy under Chapter 7. As a result of the acquisition, the Company believes that it has gained market share in the radon industry through the successful solicitation of accounts previously serviced by the competitor. Additionally, as part of the agreement, the Company acquired laboratory equipment which will allow the Company to expand its environmental testing services. The Company intends to use this equipment to analyze drinking water for lead and other heavy metals. The Company plans to market mail order water test kits during the third quarter of fiscal year 1992 and will report results to the customer in the same manner that it does with radon.

The Company has incurred debt payments as a result of the agreement. The Company believes that it will be able to remit the installment payments associated with the acquisition from fee income generated from the new testing equipment and associated services. The Company will consider the needs for acquisition of other fixed assets in the short-term, only if contract work warrants the expenditure.

The Company has been seeking additional financing through a private placement for diversification into other environmental testing services, but has not been successful in its pursuit to date.

The Company is also diversifying into other environmental testing services for sale to its existing distribution network, and which complement the Company's radon business. The Company will distribute monitors to measure carbon monoxide and carbon dioxide. The marketing costs associated with the sale of these services is expected to be minimal as they will be sold to RTCA's current distribution network. The Company also intends to do on-site field work testing lead in paint.

The Company believes that fee income generated from the sale of these additional services will contribute to the funding of current operations. Although the Company plans to market these services so that they are competitively priced, there are no assurances that the Company will be suceessful in its efforts to distribute these environmental testing services. To date, the sales from these services and the associated marketing and distribution costs have been insignificant.

Results of Operations

In the first quarter of fiscal year 1992, the Company generated fee income of $140,345, a decrease of approximately 15% compared to fee income generated in the first quarter of fiscal year 1991. Fee income increased approxiately 29% in the first quarter of fiscal year 1992 as compared to the fourth quarter in fiscal year 1991. The Company believes that fee income in the first quarter of fiscal year 1992 was positively impacted by an increase in sales in the housing market.

Total operating expenses decreased approximately 14% from the first quarter of fiscal year 1992 compared to the first quarter of fiscal year 1991, primarily as a result of a decrease in requirements to purchase raw materials for production. The reusable components of the test kit reduce the Company's direct costs and need for cash which positively impacts the Company's future operations and cash flows. Any increase in fee income is expected to impact the Company positively because the Company will not have to significantly increase its general overhead. During the first quarter of fiscal year 1992, selling and shipping costs increased due to an increase in the number of consumer canisters being returned for analysis. During the first quarter of fiscal year 1992, the Company had a net loss of $74,289 compared to a net loss of $91,646 for the fourth quarter of fiscal year 1991 and $79,580 for the third quarter of fiscal year 1991. The net loss is primarily due to underutilization of the Company's laboratory capacity. The Company has net operating loss carryforwards of approximately $2,939,289 to offset against future taxable income. The net operating loss carry-forwards expire between 2001 and 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RADON TESTING CORPORATION OF AMERICA, INC.
(Registrant)

By:
Nancy Bredhoff, President

Date: May 29, 1992

FORM 10-Q   on page 14

92081528

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

R
92-2276 25

04434 ☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

MC
4/13

① 34105 For the quarterly period ended February 28, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 0-14019

Ridgewood Properties, Inc.
(Exact name of registrant as specified in its charter)

Delaware	58-1656330
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1/14

PROCESSED B
APR 16 1992
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

2859 Paces Ferry Road, Suite 700
Atlanta, Georgia
30339
(Address of principal executive o.......,
(Zip Code)

L 30

(404) 434-3670
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No ____

Common stock, par value $.01 per share - 48,908 shares outstanding at February 28, 1992.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RIDGEWOOD PROPERTIES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

FEBRUARY 28, 1992 AND AUGUST 31, 1991

($000'S Omitted, except per share data)

ASSETS	(Unaudited) February 28, 1992	August 31, 1991
Real Estate Investments:		
Real Estate Properties --		
Operating Properties	$ 28,186	$ 28,777
Land Held for Sale or Future Development	12,607	12,221
Single Family Subdivisions	1,398	1,390
	42,191	42,388
Mortgage Loans	843	843
Total real estate investments	43,034	43,231
Allowance for Possible Losses (Note 3)	(3,390)	(3,390)
Net real estate investments	39,644	39,841
Cash and Temporary Investments	302	1,792
Mobile Home Inventory	1,261	1,671
Other Assets	1,366	1,315
	$ 42,573	$ 44,619

The accompanying notes are an integral part of these consolidated financial statements.

RIDGEWOOD PROPERTIES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

FEBRUARY 28, 1992 AND AUGUST 31, 1991

($000's Omitted, except per share data)

LIABILITIES AND SHAREHOLDERS' INVESTMENT	(Unaudited) February 28, 1992	August 31, 1991
Accounts Payable	$ 118	$ 248
Accrued Salaries, Bonuses and Other Compensation	533	609
Accrued Property Tax Expense	702	472
Earnest Money Deposits	146	308
Accrued Interest and Other Liabilities	667	301
Current Portion of Long-Term Debt (Note 5)	1,500	--
Notes Payable (Note 5)	743	15,797
Long-Term Debt, Less Current Portion (Note 5)	13,500	--
Total Liabilities	17,909	17,735
Commitments and Contingencies (Note 6)		
Shareholders' Investment (Notes 1 & 4)		
Preferred Stock, $1 par value, 500,000 shares authorized, none issued	--	--
Common Stock, $.01 par value, 1,000,000 shares authorized, 48,908 shares issued and outstanding at February 28, 1992 and 52,754 issued and outstanding at August 31, 1991	--	1
Paid-in Surplus	26,320	28,118
Retained Earnings since December 30, 1985	(1,656)	563
Note Receivable-Stock Purchase Agreement	--	(1,798)
	24,664	26,884
	$ 42,573	$ 44,619

The accompanying notes are an integral part of these consolidated financial statements.

RIDGEWOOD PROPERTIES, INC. AND SUBSIDIARY

STATEMENTS OF CONSOLIDATED LOSS

FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 1992 AND FEBRUARY 28, 1991

($000's Omitted, except per share data)

	(Unaudited)			
	For the Three Months Ended		For the Six Months Ended	
	February 28, 1992	February 28, 1991	February 28, 1992	February 28, 1991
REVENUES:				
Operating revenues from real estate properties	$ 1,788	$ 1,761	$ 3,325	$ 3,262
Sales of real estate properties	--	552	--	552
Mobile home sales	1,311	987	3,257	2,193
Income from loans and temporary investments	35	86	74	138
Other	11	12	18	22
	3,145	3,398	6,674	6,167
COSTS AND EXPENSES:				
Expenses of real estate properties	1,392	1,309	2,798	2,589
Expenses of real estate sales	10	593	27	613
Expenses of mobile home sales	1,506	1,435	3,542	2,787
Depreciation on real estate properties	379	370	756	742
Interest expense	305	409	663	807
General, administration and other	677	673	1,108	1,268
	4,269	4,789	8,894	8,806
LOSS BEFORE INCOME TAXES	(1,124)	(1,391)	(2,220)	(2,639)
BENEFIT FOR INCOME TAXES	--	170	--	179
NET LOSS	(1,124)	(1,221)	(2,220)	(2,460)
LOSS PER SHARE (NOTE 4)	$ (22.94)	$ (24.92)	$ (45.31)	$ (50.20)

The accompanying notes are an integral part of these consolidated financial statements.

RIDGEWOOD PROPERTIES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED FEBRUARY 28, 1992 AND FEBRUARY 28, 1991

Increase (Decrease) in Cash and Cash Equivalents

($000's Omitted)

	1992	1991
Cash flows from operating activities:		
Net loss	$ (2,220)	$ (2,460)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	776	742
Amortization	73	33
Decrease (increase) in single family subdivisions	(8)	500
Decrease (increase) in mobile home inventory	410	(308)
Decrease (increase) in other assets	(130)	116
Increase in accounts payable and accrued liabilities	228	193
Decrease in deferred income tax	--	(179)
Total adjustments	1,349	1,097
Net cash used by operating activities	(871)	(1,363)
Cash flows from investing activities:		
Principal payments received on mortgage loans	6	12
Additions to real estate properties	(571)	(820)
Net cash used by investing activities	(565)	(808)
Cash flows from financing activities:		
Purchase and retirement of common stock	--	(78)
Proceeds from notes payable	1,363	2,911
Repayments of notes payable	(1,417)	(1,157)
Net cash provided (used) by financing activities	(54)	1,676
Net decrease in cash and cash equivalents	$ (1,490)	$ (495)
Cash and cash equivalents at beginning of year	1,793	1,002
Cash and cash equivalents at end of year	$ 303	$ 507

The accompanying notes are an integral part of these consolidated financial statements.

RIDGEWOOD PROPERTIES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 1992 AND FEBRUARY 28, 1991
(Unaudited)

1. GENERAL:

Ridgewood Properties, Inc. (the "Company") is engaged in the business of acquiring, developing, operating and selling real property located primarily in the Southeast and Sunbelt areas. The Company was incorporated in Delaware on October 29, 1985.

The Company's common stock is currently being traded in the broker-dealer "Pink Sheets" in the over-the-counter market. Of the Company's issued and outstanding shares of common stock, approximately 76% of the common stock is owned by Intermark, Inc.

Prior to December 31, 1985, the Company operated under the name CMEI, Inc.

The accompanying financial statements of the Company present the historical cost basis amount of assets, liabilities and shareholders' investment of the real estate business for the periods presented. The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary and its joint venture investments after the elimination of all intercompany amounts.

2. BASIS OF PRESENTATION:

The accompanying consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, which are necessary to present fairly the financial position, results of operations and changes in financial position for the interim periods covered by this report. Although certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, management believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended August 31, 1991. The results of operations for the six months ended February 28, 1992 are not necessarily indicative of the results to be expected for the fiscal year ending August 31, 1992.

The Company is currently generating net operating loss carryforwards for both book and tax purposes which may be used to offset future income. In February 1992, the Financial Accounting Standards Board issued a new standard on accounting for income taxes. SFAS 109 mandates the asset and liability method for computing deferred income taxes. The Company is required to adopt the new accounting and disclosure rules no later than its fiscal year ending August 31, 1994. The Company has not decided when to implement the new pronouncement, nor has it decided whether to restate prior financial statements. Because of the complexities of the new accounting requirements, the effect that the change may have on the Company's reported consolidated financial position and results of operations has not been determined.

For the purpose of the Statement of Cash Flows, cash includes cash equivalents. Cash equivalents include all highly liquid investments with maturity of three months or less.

The Company carries mobile home inventory at cost, determined by the specific identification method, or market, whichever is lower.

3. ALLOWANCE FOR POSSIBLE LOSSES:

No changes in the allowance for possible losses for the six months ended February 28, 1992 and 1991 were made.

4. SHAREHOLDERS' INVESTMENT:

Loss Per Common Share --

Loss per common share is calculated based upon the weighted average number of shares outstanding of approximately 49,000 for the three months and six months ended February 28, 1992 and 1991.

Repurchase of Common Shares --

During the second quarter of fiscal year 1992, the Company authorized the purchase of 3,846 shares from its President, which were subject to a stock repurchase agreement, for $854.11 per share. The Company will cancel the notes and interest related to the original stock purchase and pay approximately $114,000 to the President for the amount of the purchase exceeding the notes and interest.

5. NOTES PAYABLE:

Effective December 31, 1991, the Company's Revolving Line of Credit expired and the outstanding principal balance of $15,000,000 converted to a term loan. In January 1992 the term loan was amended to postpone principal payments for seven months. Under the amended agreement, interest accrues at the rate of one percent (1%) per annum above the prime rate (currently 6.5%) of the lender. Under the term loan agreement, the Company is required to make interest only payments on the outstanding principal balance of the note, commencing on February 1, 1992 and thereafter until August 31, 1992. Commencing on September 1, 1992, and thereafter on the first day of each month through December 1, 1996, the outstanding principal amount of the note shall be repaid in equal monthly payments of $250,000. Interest on the outstanding principal balance shall continue to be paid monthly at the rate specified above. On January 1, 1997, the remaining outstanding principal balance of $2,000,000 shall be payable in full.

Due to the sale in March 1992 of property which was part of the collateral for the loan, the term loan balance was reduced to $14,736,000.

The Company had approximately $605,000 outstanding at February 28, 1992 on its Mobile Home Inventory Floor Plan Line of Credit with a commercial bank in Florida.

The Company had $138,000 outstanding at February 28, 1992 on a purchase money note, with the entire principal balance and accrued interest due in November 1992. Interest accrues at the rate of 13.75% per annum on the principal amount. The note is secured by a parcel of land in Atlanta, Georgia.

Maturities of long-term debt during the Company's next five fiscal years are $3,000,000 per year through fiscal year 1997.

6. LEGAL PROCEEDINGS:

A Complaint against the Company was filed in 1987 alleging that the Company should have obtained a Development of Regional Impact Development Order, pursuant to Section 380.06(15), Fla. Stat., prior to commencing development of a project in Orange County, Florida. The Company appealed an order issued on June 4, 1991 by the substitute Secretary of the Department of Community Affairs directing that the Company submit an application for development approval. The appeal was reviewed by the Fifth District Court of Appeals in Daytona Beach, Florida.

On March 27, 1992 the three judge panel reversed the order of the substitute Secretary of the Department of Community Affairs, ruling that the property which was the subject of the order had vested rights and could be completed without undergoing an application for development approval. The State of Florida has thirty days in which to petition for a re-hearing or file an appeal.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(THREE AND SIX MONTHS ENDED FEBRUARY 28, 1992 COMPARED TO THREE AND SIX MONTHS ENDED FEBRUARY 28, 1991)

LIQUIDITY AND CAPITAL RESOURCES --

Effective December 31, 1991, the Company's Revolving Line of Credit expired and the outstanding principal balance of $15,000,000 converted to a term loan. Interest on the term loan accrues at the rate of one percent (1%) per annum above the prime rate (currently 6.5%) of the lender. Under the term loan agreement, the Company is required to make interest only payments on the outstanding principal balance of the note, commencing on February 1, 1992 and thereafter until August 31, 1992. Commencing on September 1, 1992, and thereafter on the first day of each month through December 1, 1996, the outstanding principal amount of the note shall be repaid in equal monthly payments of $250,000. Interest on the outstanding principal balance shall continue to be paid monthly at the rate specified above. On January 1, 1997, the remaining outstanding principal balance of $2,000,000 shall be payable in full.

Subsequent to the quarter ended February 28, 1992, the Company sold one of its residential homes in Atlanta, Georgia for net proceeds of $264,000, which were applied to reduce the principal balance of the term loan.

For the six months ended February 28, 1992, the Company borrowed approximately $1,225,000 on its Floor Plan Line of Credit and repaid approximately $1,417,000.

The Company had $138,000 outstanding on a promissory note at February 28, 1992.

In January 1992, the Company signed a contract for the sale of Phase One of one of its mobile home parks for $3,425,000. The contract has several contingencies, including the ability of the purchaser to obtain satisfactory financing. The contract allows for closing on or before May 8, 1992.

The Company is currently seeking a loan from the Department of Housing and Urban Development on one of its apartment complexes in Texas. The expected net proceeds would be approximately $1.2 million.

Due to recent economic conditions and the lack of available financing for real estate projects, the Company's cash position has been severely impaired. The economic downturn has caused a slower than expected lease-up in the Company's six mobile home parks, as well as slower sales of its land and single-family subdivision lots.

The Company believes that events occurring in recent months have now strengthened the sales effort at the mobile home parks and that a further deterioration of the Company's cash position is not likely. Therefore, if the sale of Phase One of one its mobile home parks is consummated and the financing of the apartment complex is successful, the Company should be able to meet its near term debt obligations without the sale of any other assets.

RESULTS OF OPERATIONS --

During the three and six months ended February 28, 1992, the Company had losses from real estate sales of approximately $10,000 and $27,000, respectively, compared with losses of $41,000 and $61,000, respectively, for the three and six months ended February 28, 1991. Gains on sales or losses are dependent upon the specific assets sold in a particular period and the terms of each sale.

Operating revenues from real estate properties for the three and six months ended February 28, 1992 increased approximately $37,000 and $63,000, or 2%, respectively, compared to the three and six months ended February 28, 1991. The increase was due primarily to higher occupancies at the mobile home parks in Florida. Operating expenses during the three and six months ended February 28, 1992 increased $83,000, or 6%, and $209,000, or 8%, respectively, compared to the three and six months ended February 28, 1991 due to normal operating expense increases at the majority of the Company's operating properties.

During the three and six months ended February 28, 1992, the Company's losses from mobile home sales decreased $253,000 to $195,000 and $309,000 to $285,000, respectively, compared to the three and six months ended February 28, 1991. The decrease in the net losses was due to greater gross profits as the result of increased sales during the current fiscal year. Marketing and overhead costs continued to be greater than gross profits on homes sales, generating a net loss.

Income from loans and temporary investments decreased compared to the prior period due to less cash invested in the current period.

Interest expense decreased approximately $104,000 and $164,000, respectively, for the three and six months ended February 28, 1992 compared to the three and six months ended February 28, 1991 primarily due to a decrease in the prevailing borrowing rates. Interest expense during the first six months of fiscal year 1992 and 1991 reflects no capitalized interest.

General, administration and other expenses increased approximately $4,000, or 1%, and decreased approximately $160,000, or 13%, respectively, for the three and six months ended February 28, 1992 compared to the three and six months ended February 28, 1991 primarily due to decreased insurance costs resulting from the normal course of business.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

State of Florida, Department of Community Affairs v. Ridgewood Properties, Inc. filed with the Division of Administrative Hearings, Tallahassee, Florida on March 3, 1987.

This Complaint alleged that the Company should have obtained a Development of Regional Impact Development Order, pursuant to Section 380.06(15), Fla. Stat., prior to commencing development of a project in Orange County, Florida. The Company appealed an order issued on June 4, 1991 by the substitute Secretary of the Department of Community Affairs directing that the Company submit an application for development approval. The appeal was reviewed by the Fifth District Court of Appeals in Daytona Beach, Florida.

On March 27, 1992 the three judge panel reversed the order of the substitute Secretary of the Department of Community Affairs, ruling that the property which was the subject of the order had vested rights and could be completed without undergoing an application for development approval. The State of Florida has thirty days in which to petition for a re-hearing or file an appeal.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits:

10	Consolidated Amendatory Agreement between Ridgewood Properties, Inc. and First American Bank of Georgia, N.A. dated January 31, 1992
10	Amendment to Loan Agreement between Ridgewood Properties, Inc. and First American Bank of Georgia, N.A. dated March 26, 1992

B. Reports on Form 8-K: No reports on Form 8-K were filed during the three months ended February 28, 1992.

SIGNATURES:

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RIDGEWOOD PROPERTIES, INC.

By: N R Walden
N. Russell Walden
President

By:
Karen S. Hughes
Vice President,
Chief Accounting Officer

Date: April 1, 1992

CONSOLIDATED AMENDATORY AGREEMENT

This CONSOLIDATED AMENDATORY AGREEMENT (the "Agreement") is made and entered into as of the 31st day of January, 1992, by and between RIDGEWOOD PROPERTIES, INC., a Delaware corporation (hereinafter "Borrower") and FIRST AMERICAN BANK OF GEORGIA, N.A., a national banking association (hereinafter "Lender").

RECITALS

Lender has heretofore made a loan to Borrower (the "Loan") evidenced by that certain Commercial Promissory Note dated November 22, 1989, given by Borrower to Lender in the original principal amount of Fifteen Million and No/100 Dollars ($15,000,000.00) (the "Note"). The terms and conditions of the Loan are memorialized in and governed by that certain Loan Agreement dated November 22, 1989, by and between Borrower and Lender. Borrower and Lender amended the Loan Agreement to reflect the addition of certain properties as collateral for the Loan by execution of that First Amendment to Loan Agreement dated March 1, 1991, by and between Borrower and Lender (the "First Amendment"), and further amended the Loan Agreement to release and add certain properties as collateral for the Loan by execution of that Second Amendment to Loan Agreement dated May 8, 1991, by and between Borrower and Lender (the "Second Amendment") (the Loan Agreement, as amended by the First Amendment and the Second Amendment is hereinafter collectively referred to as the "Loan Agreement"). Borrower and Lender have agreed to amend the Note to modify the repayment terms and to acknowledge that the Revolving Loan Period (as defined therein) has expired and to amend the Note as hereinafter provided. Borrower and Lender have further agreed to release and pledge additional properties as collateral for the Loan and Borrower and Lender have agreed to further amend the Loan Agreement to reflect the release and addition of certain properties and to amend the Loan Agreement as hereinafter provided.

AGREEMENT

FOR AND IN CONSIDERATION OF the sum of Ten Dollars ($10.00), the foregoing recitals, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender do hereby agree to amend the Note and Loan Agreement as follows:

I. AMENDMENT AND MODIFICATION OF NOTE.

1. Borrower and Lender agree that effective as of December 31, 1991, the Revolving Loan Period of the Note has

expired. From and after December 31, 1991, the Revolving Line of Credit Facility of the Note is terminated so that Borrower can no longer borrow, repay and reborrow any amount under the Note.

2. Borrower and Lender acknowledge and agree that the Term Loan Period of the Note commenced on January 1, 1992, and that from and after January 1, 1992, the outstanding principal balance of the Note shall accrue interest at the rate of one percent (1%) per annum above the Prime Rate of Lender. As of the date of this Agreement, the Prime Rate of Lender is six and one-half percent (6.5%) per annum, and accordingly for information purposes, the rate of interest payable under the Note as of the date of this Agreement is seven and one-half percent (7.5%) per annum.

3. Notwithstanding any provision in the Note to the contrary, Borrower and Lender agree that Borrower shall make interest only payments on the outstanding principal balance of the Note, at the interest rate specified in this Agreement, commencing on February 1, 1992, and thereafter on March 1, April 1, May 1, June 1, July 1, and August 1, 1992. Commencing on September 1, 1992, and thereafter on the first day of each successive month through and including December 1, 1996, the outstanding principal amount of the Note shall be repaid in equal monthly payments of Two Hundred Fifty Thousand and No/100 Dollars ($250,000.00) each. Interest on the outstanding principal balance of the Note, at the rate specified in this Agreement, shall continue to be paid monthly, in arrears, concurrent with the principal payments described in the preceding sentence of this Agreement, through and including December 1, 1996. On January 1, 1997, the entire outstanding principal balance of the Note, together with all accrued, but unpaid interest shall be due and payable in full (the "Maturity Date").

4. Any Default or Event of Default under any document evidencing, securing or in any way related to the indebtedness evidenced by the Note, whether now existing or hereinafter entered into, shall hereinafter constitute a Default under the Note.

5. From and after the date of this Agreement, any reference to the Note or the indebtedness in any document evidencing, securing or in any way related to the Loan indebtedness shall be deemed to refer to the Note, as modified by this Agreement.

6. Borrower and Lender acknowledge and agree that as of the date of this Agreement, the outstanding principal balance of the Note is Fifteen Million and No/100 Dollars ($15,000,000.00).

7. Except as herein expressly modified or amended, all the terms and conditions of the Note are hereby ratified, affirmed and approved.

8. Borrower and Lender acknowledge and agree that as of the date of this Agreement, Borrower and Lender have not consummated the pledge and mortgage of the Ridgewood Lodge (being shown on Exhibit "A" attached to this Agreement) as Collateral for the Loan. Borrower's failure to consummate the pledge and mortgage of and the granting of a security interest in the Ridgewood Lodge property (said Ridgewood Lodge property being more particularly described in Exhibit "B" attached hereto and incorporated herein by this reference) on or before February 29, 1992, upon terms and conditions reasonably acceptable to Lender, shall constitute a default under the Note. Simultaneously with the consummation of the pledge of the Ridgewood Lodge, Lender agrees to release the Timber Rock Apartments property located in Dallas County, Texas, from the lien of the Deed of Trust securing the Loan.

II. AMENDMENT AND MODIFICATION OF LOAN AGREEMENT

1. Section 3.1 of the Loan Agreement is hereby amended by deleting therefrom in its entirety Exhibit "A" attached thereto and adding in lieu thereof the Exhibit "A" attached hereto and incorporated by this reference. From and after the date of this Agreement, all references in the Loan Agreement to the Collateral, Property or Premises shall hereinafter be deemed to include all the properties listed on Exhibit "A" attached hereto.

2. Article 6 of the Loan Agreement, Affirmative Covenants, is hereby amended by adding the following thereto:

> "6.6 Preserve and maintain its corporate existence and good standing in the jurisdiction of its incorporation, and qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is required.
>
> 6.7 Maintain, keep, and preserve all of its properties (tangible and intangible) necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted.
>
> 6.8 Comply in all respects with all applicable laws, rules, regulations and orders imposed upon it or upon its property or the Collateral.

6.9 At any reasonable time and from time to time, and following reasonable advance notice to Borrower, permit the Lender or any agent or representative thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower, and to discuss the affairs, finances and accounts of the Borrower with any of its officers and directors and the Borrower's independent accountants.

6.10 As soon as possible and in any event within ten (10) days after the occurrence of each Default or event or condition that with the giving of notice, lapse of time or both would constitute an Event of Default, provide to Lender a written notice setting forth the details and the action which is proposed to be taken by the Borrower with respect thereto.

6.11 Notify Lender in writing, promptly upon learning thereof, or any material adverse change in Borrower's financial condition."

3. Article 9 of the Loan Agreement, Representations and Warranties, is hereby amended by adding the following thereto:

"9.2 There are no existing and asserted or unasserted claims, counterclaims, defenses, personal or otherwise, or rights of setoff whatsoever with respect to this Agreement or any instrument, document or certificate evidencing or securing any indebtedness of Borrower to Lender, any such claims, counterclaims, defenses, and rights of setoff being hereby expressly waived and relinquished.

9.3 There are no actions, suits, arbitrations, proceedings or investigations pending, or, threatened (or any basis therefor) which, either taken alone or in the aggregate, if adversely determined, would have a material adverse affect on the business, operations, or financial condition of Borrower, or which might result in any material impairment of the rights or ability of Borrower to perform its obligations hereunder and there are no outstanding unpaid judgments or arbitration awards against Borrower which would have such adverse effect or which might result in such material impairment.

9.4 This Agreement constitutes the legal, valid and binding obligation of Borrower, enforceable in accordance with its terms, except as the same may be

> limited by bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally, and except to the extent that the remedy of specific enforcement or injunctive relief is subject to the discretion of the court before which any proceedings therefor may be brought.
>
> 9.5 No act by Lender and no waiver by Borrower of any term, condition or obligation of Borrower hereunder, or partial or full funding of any amounts by Lender to Borrower shall constitute a waiver of any of the other terms, conditions and obligations of Borrower provided herein. In the event Borrower is unable to satisfy any term, condition or obligation provided in the Loan Agreement, no act of Lender hereunder shall have the effect of precluding Lender thereafter from declaring such inability to be a Default hereunder. No act of Lender hereunder shall constitute a waiver by Lender of any then existing Default hereunder. Upon any Default hereunder, Lender shall have the right to declare all defaults which have occurred under this Agreement and the Loan."

4. Section 8.2 of the Loan Agreement is hereby deleted in its entirety and the following is substituted in its place and stead:

> "8.2 So long as any of the liabilities remain outstanding, the outstanding principal balance of the Loan can never exceed the lesser of (i) Fifteen Million and No/100 Dollars ($15,000,000.00) or (ii) the Loan Ceiling (defined as the amount equal to (a) one hundred percent (100%) of the Book Value of the Collateral as shown on Exhibit "A" attached to this Agreement; plus (b) eighty percent (80%) of the book value (defined as Borrower's net carrying value) of any other real estate assets of Borrower pledged as collateral for the Loan after January 31, 1992, which are not shown on Exhibit "A" (the "Additional Collateral"). From and after the date hereof, all references in the Loan Agreement and this Agreement to Additional Collateral shall be construed to mean Additional Collateral as defined in the preceding sentence of this Section."

5. Article 11 of the Loan Agreement, Casualty, Condemnation and Release, is hereby amended by adding the following thereto:

> "11.4 Notwithstanding any other provision contained in this Article 11, Lender shall not be obligated to release any or all of the Collateral or

Additional Collateral unless and until it receives an amount in immediately available funds equal to the greater of (i) the Book Value for the Collateral as set forth in Exhibit "A" attached hereto and eighty percent of the book value for the Additional Collateral as set forth in Section 8.2 of this Agreement or (ii) fifty percent (50%) of the net sales proceeds of any such Collateral or Additional Collateral (net sales proceeds being defined as gross sales price less usual, customary and reasonable closing costs, including reasonable and customary real estate brokers' commissions to unrelated third parties); except for the release of the Quality Inn property located in Seminole County, Florida, in which case the release shall be the greater of (i) the Book Value for the Quality Inn or (ii) eighty-five percent (85%) of the net sales proceeds for the Quality Inn. Lender shall not be obligated to release any Collateral or Additional Collateral under this Loan, if at the time of each request by Borrower for said release, there exists a Default under the Loan Agreement."

III. MISCELLANEOUS PROVISIONS

1. Except as amended by this Agreement, the Loan Agreement shall otherwise remain in full force and effect in accordance with the terms contained therein, and Borrower hereby ratifies and reaffirms each and every term and condition of said Loan Agreement.

2. Borrower, on behalf of itself and its respective successors and assigns, hereby waives, releases, and discharges Lender, its directors, officers, employees, and agents of Lender and its participants, from any and all claims, demands, actions, or causes of action occurring prior to the date of this Agreement and arising out of or in any way relating to the Loan, and any documents, agreements, dealings, or other matters connected with the Loan, including, without limitation, all known and unknown matters, claims, transactions, or things occurring prior to the date of this Agreement related to the Loan (other than clerical mistakes or other manifest error). Borrower agrees to dismiss with prejudice any proceedings against Lender as of the date of this Amendment.

3. Borrower and Lender acknowledge and agree that this Agreement shall not constitute a novation of the indebtedness evidenced by the Note. Borrower further acknowledges and agrees that the obligation to repay the unpaid balance of the Note as of the date hereof is free and clear of any defense, setoff, or counterclaim.

4. This Agreement shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns, whether voluntary by act of the parties or involuntary by operation of law.

5. All references in any of the Loan Documents to any of the Loan Documents shall hereafter include the modifications to the Loan Documents set forth herein.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed by their duly authorized officers and have affixed corporate seals as of the day and year first above written.

Signed, sealed and delivered
in the presence of:

Rebecca King
Unofficial Witness

Rebekah A. Bobell
Notary Public

Notary Public, Cobb County, Georgia
My Commission Expires [illegible]

BORROWER:

RIDGEWOOD PROPERTIES, INC.

By: [illegible]
Its: President

Attest: [illegible]
Its: Asst. Secretary

[CORPORATE SEAL]

Signed, sealed and delivered
in the presence of:

Unofficial Witness

Charlene D. Stee
Notary Public

Notary Public, Cobb County, Georgia
My Commission Expires December 8, 1993

LENDER:

FIRST AMERICAN BANK OF
GEORGIA, N.A.

By: [illegible]
Its: Ass. Vice President

[BANK SEAL]

Kim W. Smith
Banking Officer

EXHIBIT "A"

BOOK VALUE OF COLLATERAL

Property #	Name	Location	Value
393	Oak Park	Dallas, Texas	$ 1,710,00
655	Dallas Land	Dallas, Texas	$ 3,500,00
156	Quality Inn	Orlando, Florida	$ 1,757,00
219	Maitland Center I	Orlando, Florida	$ 308,00
650	Maitland Center II	Orlando, Florida	$ 1,183,00
675	Longwood Land	Orlando, Florida	$ 576,00
253	Conolox	Arlington, Tenn.	$ 330,000
353	Fairfield	Columbus, Ohio	$ 1,656,000
890	Rilman Road (5 equal lots at $231,000.00)	Atlanta, Georgia	$ 1,155,000
830	Park on Ivy (Lot 22)	Atlanta, Georgia	$ 328,000
830	Park on Ivy (Lot 23)	Atlanta, Georgia	$ 352,000
830	Park on Ivy (Lot 28)	Atlanta, Georgia	$ 94,000
830	Park on Ivy (Lot 29)	Atlanta, Georgia	$ 94,000
860	3870 Paces Ferry Road	Atlanta, Georgia	$ 225,996
850	Lot 2, Interlochen Est.	Atlanta, Georgia	$ 93,646
995	Part of Lots 2 and 3, Lake Tarpon Estates	Pinellas County, Florida	$ 168,000
	Athens Land	Athens, Georgia	$ 285,000
	Ridgewood Lodge	Orange County, Florida	$ 3,900,000
		TOTAL	$17,717,642

EXHIBIT "B"

The South 30 feet of Lot 9 and a portion of Lot 10, Block A, IRLO O. BRONSON SUBDIVISION, according to the plat thereof as recorded in Plat Book Q, page 156, Public Records of Orange County, Florida, together with a portion of Lot 67, CENTRAL FLORIDA INDUSTRIAL PARK, according to the plat thereof as recorded in Plat Book Y, pages 107 and 108, Public Records of Orange County, Florida, all being more particularly described as follows:

BEGIN at the Southwest corner of Lot 9, Block A, IRLO O. BRONSON SUBDIVISION, according to the plat thereof as recorded in Plat Book Q, page 156, Public Records of Orange County, Florida, said corner lies on the east Right of Way of U.S. Highway 441 (a 100 foot Right of Way); thence N. 89° 07' 07" E., along the south line of said Lot 9, 230.55 feet; thence S. 00° 15' 53" E., 331.41 feet to the north line of Lot 67, CENTRAL FLORIDA INDUSTRIAL PARK, according to the plat thereof as recorded in Plat Book Y, pages 107 and 108, Public Records of Orange County, Florida; thence N. 89° 05' 51" E., along said north line 74.45 feet; thence S. 00° 15' 25" E., 49.97 feet to the north Right of Way line of Central Florida Parkway (a 100 foot Right of Way); thence N. 89° 05' 35" E., along said north Right of Way 130.34 feet; thence leaving said Right of Way N. 00° 15' 25" W., 208.01 feet; thence N. 89° 05' 35" E., 175.01 feet; thence N. 00° 15' 25" W., 203.21 feet to a point that is 30.00 feet north of the south line of Lot 9, Block A, of said IRLO O. BRONSON'S SUBDIVISION; thence S. 89° 07' 07" W., parallel with said south line 610.35 feet to the east Right of Way of said U.S. Highway 441; thence S. 00° 12' 15" E., along said east Right of Way 30.00 feet to the POINT OF BEGINNING.

AMENDMENT TO LOAN AGREEMENT

WHEREAS, First American Bank of Georgia, N.A., a national banking association (hereinafter "Lender"), has heretofore made a loan to Ridgewood Properties, Inc., a Delaware corporation (hereinafter "Borrower") in the original principal amount of Fifteen Million and No/100 Dollars ($15,000,000.00) (the "Loan"), which Loan is governed by that certain Loan Agreement dated November 22, 1989, as amended March 1, 1991, and May 8, 1991, and as further amended by that certain Consolidated Amendatory Agreement entered into as of the 31st day of January, 1992 by and between Borrower and Lender (collectively the "Loan Agreement"); and

WHEREAS, the Loan is collateralized by various real properties given by Borrower to Lender as security for the Loan, which real properties are described in the Loan Agreement; and

WHEREAS, the provisions of the Loan Agreement provide for the release of collateral pursuant to a formula described in the Loan Agreement; and

WHEREAS, Borrower is desirous of selling one of the real properties and obtaining Lender's release of such real property from the Deed to Secure Debt which encumbers said property pursuant to the Loan Agreement; and

WHEREAS, the real property to be released is referred to as Property No. 830 - Park on Ivy (Lot 22) ("Lot 22") in Atlanta, Georgia, and has a minimum release price of $328,000.00, as referred to on Exhibit "A" to the above-referenced Consolidated Amendatory Agreement; and

WHEREAS, the net sales proceeds available to Borrower from the sale of Lot 22 shall be Two Hundred Sixty-Four Thousand and No/100 Dollars ($264,000.00); and

WHEREAS, Lender is willing to reduce the release price for Lot 22 from $328,000.00 to $264,000.00 by deferring the payment of the difference of $64,000.00 (the "Deferral Amount"), which Deferral Amount shall be paid by Borrower at a later date;

NOW, THEREFORE, Borrower and Lender hereby amend and modify the Loan Agreement as follows:

1. Lender shall agree to release Lot 22 for a net release price paid to Lender of $264,000.00. The Deferral Amount of $64,000.00 shall be added to the book value of the next property Borrower shall seek to have released pursuant to the Loan Agreement by paying the release value of such property sought to be released plus the Deferral Amount, which aggregate amount shall be paid by Borrower to Lender at the time Borrower shall seek to have the next property released.

2. Lender's willingness to reduce the release price for Lot 22 shall not be deemed as a waiver by Lender of any of the terms, conditions and obligations of Borrower to Lender under the Loan Agreement or under any of the other loan documents evidencing or securing the Loan and Borrower agrees that Lender's execution of this Amendment shall not have the effect of precluding Lender hereafter from declaring any inability of Borrower to satisfy any term, condition or obligation to be a Default Under the Loan Agreement, or under any of the loan documents evidencing or securing the Loan.

3. Except as amended by this Agreement, the Loan Agreement shall otherwise remain in full force and effect in accordance with the terms contained therein and Borrower hereby ratifies and reaffirms each and every term and condition of said Loan Agreement.

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed by their duly authorized officers and have affixed corporate seals, this 26th day of March, 1992.

FIRST AMERICAN BANK OF
GEORGIA, N.A.

Witness

By:

Its: Assistant Vice Pres.

(CORPORATE SEAL)

RIDGEWOOD PROPERTIES, INC.

Witness

By:

Its: V. Pres.

(CORPORATE SEAL)

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This document contains 23 pages and is the numbered original required by Rule (0-3b). The exhibit index appears at page 20.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

PROCESSED BY
26/23:M
APR 21

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

For quarter ended February 29, 1992

Commission file number 0-18821

TSS Ltd.
(Exact name of registrant as specified in its charter)

Delaware	05-0439632 L3Q
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2250 Hospital Trust Tower, Providence, RI	02903
(Address of principal executive offices)	(Zip Code)

(401) 421-8990
Registrant's telephone number, including area code

The registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

On April 13, 1992 there were outstanding 22,028,069 shares of the registrant's Common Stock, $.00297 par value per share.

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TSS Ltd.
(A Development Stage Company)

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TSS Ltd.
(A Development Stage Company)

BALANCE SHEETS (UNAUDITED)

	February 29 1992	May 31 1991(1)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,518,038	$109,000
Accounts receivable	378,984	12,599
Accounts receivable from related party	36,477	11,448
Coupon paper	14,591	9,915
Deposits	16,228	15,139
Prepaid and other	79,436	17,883
	3,043,754	175,984
PREPAID EXPENSE	71,944	
PROPERTY AND EQUIPMENT		
Coupon terminals and related network equipment	2,161,663	1,584,115
Furniture and office equipment	208,654	193,330
	2,370,317	1,777,445
Less accumulated depreciation	762,307	494,653
	1,608,010	1,282,792
	4,723,708	1,458,776

(1) The balance sheet at May 31, 1991 has been derived from the audited financial statements at that date.

See notes to financial statements.

TSS Ltd.
(A Development Stage Company)

	February 29 1992	May 31 1991(1)
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	385,604	$429,019
Accrued expenses	42,497	$118,952
Convertible subordinated promissory notes		$1,355,000
Amounts payable to related party		130,215
Unearned revenue	74,520	
	502,621	2,033,186
Redeemable, 9% cumulative Series B preferred stock, par value $.0297, redeemable at $9.00 per share, authorized 201,667 shares, 23,333 shares issued and outstanding at May 31, 1991 and no shares at February 29, 1992		210,000
Common shareholders' equity (deficit):		
Common Stock, par value $.00297, authorized 40,000,000 shares, at February 29,1992 (20,000,000 at May 31, 1991), issued and outstanding 8,708,178 and 22,028,069 shares at May 31, 1991 and February 29, 1992, respectively	65,423	28,338
Additional paid-in capital	17,550,065	10,370,785
Deficit accumulated during development stage	(13,394,401)	(11,183,533)
	4,221,087	(784,410)
	4,723,708	$1,458,776

(1) The balance sheet at May 31, 1991 has been derived from the audited financial statements at that date.

See notes to financial statements.

TSS LTD.
(A Development Stage Company)

STATEMENTS OF OPERATIONS (UNAUDITED)

	Period from inception (May 31,1988) to February 29, 1992	Three Months Ended February 29, 1992	Three Months Ended February 28, 1991	Nine Months Ended February 29, 1992	Nine Months Ended February 28, 1991
REVENUES					
Coupon distribution	$1,711,005	$471,742	$121,231	$1,045,858	$299,066
Equipment sales	46,315				7,085
Interest and other	250,798	12,912	778	23,502	29,307
	2,008,118	484,654	122,009	1,069,360	335,458
COSTS AND EXPENSES					
Cost of coupon distribution	3,897,971	396,682	384,392	874,010	1,150,767
Cost of equipment sales	41,961				1,061
General and administrative	9,491,062	749,660	476,421	1,822,326	1,830,700
Research and development	1,299,709	55,071	79,246	207,924	272,810
Interest	392,898	40,153	20,198	147,542	21,615
	15,123,601	1,241,566	960,257	3,051,802	3,276,953
Net loss before extraordinary expense	($13,115,483)	($756,912)	($838,248)	($1,982,442)	($2,941,495)
Extraordinary item--elimination of debt issue costs	(228,426)	(228,426)		(228,426)	
NET LOSS	($13,343,909)	($985,338)	($838,248)	($2,210,868)	($2,941,495)
Net loss per share		($.05)	($.09)	($.14)	($.34)
Weighted average shares outstanding		18,082,958	8,853,452	15,790,782	8,775,945

See notes to financial statements.

TSS LTD.
(A Development Stage Company)

STATEMENTS OF CASH FLOWS (UNAUDITED)

	Period from inception (May 31,1988) to February 29, 1992	Nine Months Ended February 29, 1992	Nine Months Ended February 28, 1991
Operations:			
Net loss	($13,343,909)	($2,210,868)	($2,941,495)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	901,318	394,429	253,909
Write off of debt issue costs	228,426	228,426	
Unrecoverable installation costs	106,803		
Interest and employee bonus converted to common stock	107,600	107,600	
Changes in operating assets and liabilities:			
Accounts receivable	(378,984)	(366,385)	(11,109)
Accounts receivable from related parties	(36,477)	(25,029)	
Coupon paper	(14,591)	(4,676)	2,808
Prepaid expense	(74,000)	(74,000)	19,213
Deposits and other	(91,498)	(62,642)	6,245
Accounts payable and accrued expenses	529,945	(150,085)	(107,093)
Unearned revenue	74,520	74,520	4,937
Net cashed used in operating activities	(11,990,847)	(2,088,710)	(2,772,585)
Investing activities:			
Purchases of property and equipment	(2,426,536)	(592,872)	(228,734)
Net cashed used in investing activities	(2,426,536)	(592,872)	(228,734)
Financing activities:			
Proceeds from short-term borrowings from an officer/shareholder	124,385		
Net proceeds from issuance of convertible subordinated promissory notes	6,266,855	2,501,855	1,060,000
Repayment of convertible, subordinated promissory notes	(3,607,910)	(2,350,625)	
Repayment of short-term borrowings from an officer/shareholder	(115,185)		
Repayment of note payable to an officer/shareholder	(220,216)		
Proceeds from short-term bank notes	1,014,000		
Repayment of short-term bank notes	(510,000)		
Proceeds from issuance of Common Stock	11,924,805	4,939,390	
Proceeds from issuance of Preferred Stock	2,058,687		
Net cash provided by financing activities	16,935,421	5,090,620	1,060,000
Net increase(decrease) in cash and cash equivalents	2,518,038	2,409,038	(1,941,319)
Cash and cash equivalents at beginning of period	0	109,000	2,009,664
Cash and cash equivalents at end of period	$2,518,038	$2,518,038	$68,345

TSS LTD.
(A Development Stage Enterprise)

STATEMENT OF COMMON SHAREHOLDERS' EQUITY (DEFICIT) AND REDEEMABLE, 9% CUMULATIVE PREFERRED STOCK (UNAUDITED)

	Common Stock			Accumulated During the Development Stage	Preferred Stock	
	Number of Shares	Par Value	Additional Paid-in Capital		Number of Shares	Amount
Period from inception (May 31, 1988) to May 31, 1989:						
Common stock issued at $.02376 per share in July 1988	878,589	$2,609	$18,266			
Common stock issued at $.0297 per share in January 1989	33,670	100	900			
Series A preferred stock issued at $.8515 per share: January and March 1989					2,177,138	$1,853,833
June 1989					230,376	196,165
Series A preferred stock issued for assets of The Savings Spot, Ltd., in January 1989					390,639	75,675
Preferred stock issuance costs						(18,156)
Accretion				($22,993)		22,993
Net loss				(2,110,501)		
Balances at May 31, 1989	912,259	2,709	19,166	(2,133,494)	2,798,153	2,130,510
Accretion				(27,499)		27,499
Conversion of Series A preferred stock in November 1989	2,798,153	8,311	2,149,698		(2,798,153)	(2,158,009)
Conversion of note payable to a shareholder in November 1989	141,892	421	283,363			
Conversion of convertible subordinated promissory notes in November 1989	543,374	1,614	741,101			
Common stock issued in an initial public offering at $1.80 per share (net) in November 1989	3,750,000	11,138	6,738,963			
Offering expenses			(789,861)			
Common stock issued in an initial public offering at $1.80 per share (net) pursuant to exercise of over-allotment option in December 1989	562,500	1,670	1,010,830			
Net loss				(4,985,429)		
Balances at May 31, 1990	8,708,178	$25,863	$10,153,260	($7,146,422)	0	$0

See notes to financial statements

	Common Stock			Deficit Accumulated During the Development Stage	Preferred Stock	
	Number of Shares	Par Value	Additional Paid-in Capital		Number of Shares	Amount
Balances at May 31, 1990	8,708,178	$25,863	$10,153,260	($7,146,422)	0	$0
Conversion of convertible subordinated promissory notes in April 1991					23,333	210,000
Conversion of preferred stock in April 1991	699,960	2,079	207,921		(23,333)	(210,000)
Conversion of convertible subordinated promissory notes in May 1991					23,333	210,000
Conversion of convertible subordinated promissory notes in May 1991	133,332	396	9,604			
Net loss				(4,037,111)		
Balances at May 31, 1991	9,541,470	28,338	10,370,785	(11,183,533)	23,333	210,000
Conversion of preferred stock in June 1991	699,990	2,079	207,921		(23,333)	(210,000)
Conversion of convertible subordinated promissory notes in June 1991	4,602,480	13,669	1,367,081			
Conversion of related party payable into common stock in August 1991	133,333	396	99,604			
Conversion of accrued bonus to related party	33,333	99	24,901			
Conversion of convertible subordinated promissory notes in August 1991	427,000	1,268	318,982			
Conversion of convertible subordinated promissory notes in October 1991	66,665	198	4,802		0	0
Common stock issued in connection with public offering in January 1992	4,500,000	13,365	4,978,125			
Other issuance of common stock	21,333	64	1,537			
Conversion of convertible subordinated promissory notes in January 1992	1,562,500	4,641	229,734			
Offering Expenses			(538,812)			
Over-allotment in February 1992	439,965	1,307	485,405			
Net loss				($2,210,868)		
Balances at February 29, 1992	22,028,069	$65,423	$17,550,065	($13,394,401)	0	$0

TSS Ltd.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE A–BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended February 29, 1992 are not necessarily indicative of the results that may be expected for the fiscal year ending May 31, 1992. For further information, reference is made to the financial statements contained in the Company's Report on Form 10-K filed for the fiscal year ended May 31, 1991, as amended.

NOTE B–GOING CONCERN CONSIDERATION

TSS Ltd. (A Development Stage Enterprise) was incorporated on May 31, 1988 and is involved in the development of systems and programs for dispensing discount coupons and other promotional materials in retail stores. The ultimate success of the Company is dependent upon the development and marketing of its products and services and its ability to secure adequate financing. The Company has incurred significant recurring operating losses and, at May 31, 1991, had a deficiency in both its working capital and total shareholders' equity. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern and, as such, do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amount and classification of liabilities that may result from the possible inability of TSS Ltd. to continue as a going concern.

Management believes that its new business strategy, instituted at the end of FY 1991, of seeking to establish programs with select retail chains where the retailer, and not the Company, is primarily responsible for selling program participations to product manufacturers, is a key prerequisite for achieving the Company's financial goals. There can be no assurance, however, that the Company will obtain and retain sufficient contracts with retailers under this strategy at all or on a timely basis.

In January and February, 1992, the Company completed a public offering of its securities (the "Secondary Offering"), on a firm underwritten basis, of 3,239,310 units (including the over-allotment option), each unit consisting of one and one-half shares of the Company's $.00297 par value per share common stock ("Common Stock") and one redeemable warrant to purchase a share of Common Stock at an exercise price of $2.00 per share. The underwriters purchased the units from the Company at a price of $1.875 per unit, less discounts, commissions and certain expenses.

Management believes, although there can be no assurance, that the net proceeds from the Secondary Offering and cash generated from the Company's operations will be sufficient to sustain the Company's business at current levels and enable it to pursue its new business strategies in the near future. However, the long term viability of the Company depends upon significant expansion of operations on a profitable basis, and the retailer contracts and terminal financing which this will require.

NOTE C–DEFERRED FINANCING COSTS

The Company capitalized debt issue costs of $331,825 in connection with the issuance of its Series D Convertible Subordinated Promissory Notes ("Series D Notes"), including $325,000 which was paid to the placement agent, Commonwealth Associates. These costs were being amortized over the one year term of the notes, and accumulated amortization amounted to $124,719 as of the date of the Secondary Offering , January 21, 1992. Pursuant to the terms of the Series D Notes, upon the completion of the Secondary Offering (being a securities offering with gross proceeds of $4,000,000 or more to the Company), the maturity date of the notes was accelerated to seven days after the closing of such offering. Upon the repayment of the notes on January 24, 1992, $228,426 was charged to operations as an extraordinary item, representing the unamortized portion of the debt issue costs and additional legal fees of $21,320 relating to the notes.

NOTE D–CONVERTIBLE SUBORDINATED PROMISSORY NOTES

In June 1991 (i) the Company privately sold and issued $50,000 of its Series B 10% convertible subordinated promissory notes ("Series B Notes"), of which $40,000 was purchased by a director, and (ii) the $1,315,000 principal amount of Series B Notes then outstanding (including said $50,000 sold and issued in June 1991 and the unconverted portion of the $1,665,000 of said notes sold and issued by the Company from December 1990 through May 1991), plus 180 days interest thereon, was voluntarily converted into 4,602,480 shares of Common Stock at $.30 per share.

The Series B Notes bore interest at the rate of 10% per annum, were subordinated with respect to repayment to such bank and similar indebtedness as the Company might incur for money borrowed and were repayable with accrued interest on the earlier of 180 days after issuance or thirty days after the closing of a public or private offering of the Company's securities grossing at least $2,000,000 to the Company. At the option of the holder, each note was convertible in full, but not less than in full, into the $.0297 par value per share Series B preferred stock of the Company ("Series B Preferred Stock") at a price of $9.00 per share (see Note F). In the alternative, if repaid by its maturity date, at the holder's option up to 10% of the original principal amount of each note was convertible into Common Stock at $.075 per share. If not fully converted or repaid by its maturity date, each note would automatically fully convert into Series B Preferred Stock at $9.00 per share. In addition, the holders of Series B Notes were granted certain rights of first refusal to purchase, pro rata, certain kinds of securities as may be offered in the future by the Company as well as certain demand and "piggyback" registration rights with respect to such Common Stock as might be issued upon conversion of any Series B Preferred Stock issued upon conversion of these notes.

In June 1991, the $1,315,000 principal amount of series B Notes then remaining outstanding, including $1,265,000 thereof issued prior to June 1991, plus accrued interest thereon was voluntarily converted, by agreement with the Company, directly into a total of 4,602,480 shares of Common Stock at a conversion price of $.30 per share.

In July and August 1991, the Company privately sold and issued $305,000 of its Series C 10% convertible subordinated promissory notes ("Series C Notes"), of which $125,000 and $25,000 were sold to two venture capital funds controlled by a director. The Series C Notes were substantially the same as the Series B Notes except that (i) at the option of the holder, all (but not less than all) of the principal of and interest under each note was convertible into the Company's $.0297 par value per share Series C preferred stock ("Series C Preferred Stock") at $9.00 per share (each share of which, in turn, was convertible into 12 shares of Common Stock at an effective price of $.75) or, in the alternative, up to 7.5% of the original principal amount of each note was convertible directly into Common Stock at $.15 per share, and (ii) at the option of the Company, the principal of and 180 days interest under each note was convertible directly into Common Stock at $.75. During August 1991, all of the Series C Notes, including 180 days interest, were converted by the Company into a total of 427,000 shares of Common Stock at a conversion price of $.75 per share.

In September 1991, the Company privately sold and issued $2,500,000 of its Series D 10% convertible subordinated promissory notes ("Series D Notes"). The maturity date of the Series D Notes was the earlier of (i) the first anniversary of the date of issuance or (ii) seven days after the closing of a private or public offering of the Company's securities grossing at least $4,000,000 to the Company. Pursuant to the provisions of these notes, three days after the closing of the Company's Secondary Offering $234,375 principal amount was converted at $.15 per share into 1,562,500 shares of the Company's Common Stock and $2,265,625 principal amount plus $91,681 of accrued interest was repaid. The holders of the Common Stock issued under the terms of these notes enjoy certain demand and "piggy back" registration rights.

In October 1991, the Company fulfilled its remaining obligations to the former holders of the Company's 10% Convertible Subordinated Promissory Notes (issued in November 1990) by issuing to them a total of 66,665 additional shares of Common Stock and cash payments totalling $85,000 plus interest. The holders of the Common Stock issued under the terms of these notes have certain demand and "piggyback" registration rights.

NOTE E–CERTAIN DEBT CONVERSIONS

On August 30, 1991, a director converted $100,000 of amounts due for professional services rendered into 133,333 shares of Common Stock at $.75 per share. In addition, an officer of the Company converted his incentive bonus payment of $25,000 into 33,333 shares of Common Stock at $.75 per share. On January 27, 1992 a former officer of the Company converted 10% of his incentive bonus payment of $16,000 into 21, 333 shares of Common Stock at $.75 per share.

NOTE F–PREFERRED STOCK

At May 31, 1991, the Company had outstanding [illegible] shares of its Series B Preferred Stock. These shares were issued in May 1991 upon the automatic conversion at maturity of a $200,000 Series B Note and, in June 1991, were voluntarily converted into 699,990 shares of Common Stock (see Note D).

The following rights and restrictions applied to the Series B Preferred Stock while they were outstanding: (i) optional conversion into 30 shares of Common Stock per share of Series B Preferred Stock, (ii) preference in liquidation over Common Stock, (iii) dividends accruing at the rate of 9% per annum but restricted as to payment and forfeited upon exercise of the aforesaid conversion right, (iv) optional redemption including accrued dividends on the 5th, 6th and 7th anniversary dates of first issuance, (v) certain rights to approve corporate actions and (vi) the right to cast one vote, together with the Common Stock as a single class, on issues presented to shareholders for each share of Common Stock into which such Series B Preferred Stock may be converted.

NOTE G--SUPPLEMENTAL LOSS PER SHARE

Supplemental loss per share is required to show the effects of actual conversions of the Company's convertible promissory notes during the three months and nine months ended February 29, 1992 as if such conversions had occurred at the beginning of the fiscal year or the issue date, if later, even though such effect is antidilutive. Assuming these notes were converted at the beginning of fiscal 1991 or the issue date of such notes, if later, supplemental loss per share would have been $.05 and $.12 for the three months and nine months ended February 29, 1992, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of the results of operations and financial condition of the Company should be read in conjunction with the financial statements, including the notes thereto, of the Company contained elsewhere in this Report.

Background

The Company's commercial operations did not commence until late May 1989. Comparisons with information respecting the fiscal year ended May 31, 1991 are of limited benefit in drawing conclusions about future operating results due to the Company's adoption of a new business strategy at the end of fiscal 1991.

Through the end of fiscal 1991, the Company deployed up to approximately 250 coupon-dispensing terminals in supermarkets in the southeastern United States and attempted to enlist paying participation by packaged goods manufacturers in its *The Savings Spot®* in-store coupon distribution program. However, while the program typically delivered strong product movement for over 50 major packaged goods manufacturers in the southeastern region, the national brand managers to whom the programs were being marketed generally proved unwilling to participate on an ongoing, full-paying basis. Based upon discussions with these managers, the Company believes that this reluctance to participate was due, in substantial part, to the inability of the Company's relatively small, regional program to significantly affect product movement and market share on a nationwide basis.

Disappointing revenues from manufacturers, and the adverse impact of fees which the Company had agreed to pay retailers for permitting the terminals in their stores, resulted in continuing, substantial negative cash flow from operations. In addition, limited and short-term (typically, one four-week promotional cycle at a time) manufacturer participation in the program adversely affected the Company's ability to obtain lease or other conventional financing which it needed in order to build and deploy a sufficient number of terminals to impact national sales and market shares for promoted products.

In response to these circumstances, the Company shut down its southeastern program to focus its efforts and resources on more promising market segments and program configurations. During the current fiscal year the Company has been implementing new business strategies targeted to additional market segments beyond retail grocery (such as mass merchandisers, chain drug, and specialty retail chains) and program configurations which feature revenue derived directly from retailers rather than manufacturers.

Under the Company's current business strategy, typically the retailer will be primarily responsible for selling program participations in *The Saving Spot* to manufacturers. The Company, in turn, charges the retailer a fee per terminal per program cycle for providing and maintaining the terminals and, in certain circumstances, for assistance in selling a portion of the program participations to manufacturers at the national brand level. If so desired by a retailer, the Company also would consider selling the terminal to the retailer and reducing its on-going service fee accordingly.

Based upon the results of 24-store and 9-store pilot programs commenced in January and April 1991 with Ralphs Grocery Company ("Ralphs") and Kmart Corporation ("Kmart"), respectively, Ralphs contracted for *The Savings Spot* program in all 157 of its supermarkets in southern California in September 1991 and Kmart contracted for the program in 113 of its stores in Michigan and Ohio in October and November 1991. In September 1991 the Company also commenced a pilot program at a reduced rate in ten Giant Eagle supermarkets in Pennsylvania.

To assist Ralphs in positioning the program to manufacturers at the national level and to help ensure the program's successful launch, the Company agreed to take primary responsibility for selling a portion of the initial program participations through the Company's own sales organization while Ralphs sold participations to the manufacturers' local representatives. Coordination issues delayed several program cycles and the Company encountered difficulties in delivering its sales goals. While program participations were eventually sold out, delays in cycle commencement resulted in the Company booking less revenue than originally anticipated.

Ralphs continues to require the Company's direct support in manufacturer solicitation and the program continues to experience delays in initiating new cycles, thus adversely effecting Company revenues.

The program at Kmart has yet to execute new cycles on a four-week basis. The typical cycle has extended to approximately five weeks, which has not enabled the Company to optimize its revenue opportunities. However, the cycle extension issue at Kmart is not related to sales efforts by the Company diredted at manufacturer prticipations, since this responsibility us not an element in the Company's relation with Kmart.

Although it is the Company's understanding that the systems and procedures at Kmart are now better equipped to handle the ongoing sale of the program to manufacturers, the Company believes that, from time to time, delays will be inevitable in closing sales cycles on a four week basis, particularly in the launch of each chain's program.

Additionally, the Company believes it needs to restructure both existing and future retailer relationships to diminish the level of Company direct selling efforts to manufacturers, particularly mandatory manufacturer participation sales quotas which directly impact the Company's reveues.

As of April 13, 1992, the Company's terminals were installed in 155 Ralphs supermarkets, 116 Kmart stores and, on a continuing test basis, 10 Giant Eagle supermarkets.

The Company continues to aggressively pursue selected retail relationships across multiple market segments in accordance with its new business strategies and is optimistic, although there can be no assurances, that these strategies and efforts will result in increased retail distribution.

Results of Operations

Three -Month Period Ended February 29, 1992 Compared with February 28, 1991. Coupon distribution revenues for the three months ended February 29, 1992 were $471,742, an increase of $350,511, or 189%, compared with the three months ended February 28, 1991. The increase was due primarily to the commencement in the second quarter of fiscal 1992, after an initial pilot testing stage, of coupon distribution operations under the Company's new business strategy which, to date, has yielded substantially greater revenues per installed terminal than were achieved in fiscal 1991 under the Company's now discontinued southeastern program Post-pilot program operations under the new business strategy commenced in 157 Ralphs supermarkets in September 1991 and in 113 Kmart stores in two stages in October and November 1991.

The Company had interest and other income of $12,912 during the third quarter of fiscal 1992, an increase of $12,134 over the corresponding period in fiscal 1991, due primarily to interest earned on the net proceeds from the Company's September 1991 offering of its Series D 10% convertible subordinated promissory notes ("Series D Notes") and January 1992 public offering of units consisting of the Company's common stock and redeemable common stock warrants (the "Secondary Offering").

Compared with the third quarter of fiscal 1991, costs and expenses during the third quarter of fiscal 1992 prior to the extraordinary expense item, expressed as a percentage of revenue, decreased sharply due, to a large extent, to improvements in revenue per installed terminal achieved since the Company implemented its new strategy.

Cost of coupon distribution, as a percentage of coupon distribution revenues, substantially decreased during the three months ended February 29, 1992, as compared with the corresponding period in the prior year, due to the larger number of installed terminals during the fiscal 1991 period.

Third quarter general and administrative expenses increased in absolute dollars by $273,239 compared to the similar period in fiscal 1991; however, stated as a percentage of revenue, these expenses decreased by one-half vs. the same period in 1991. Since a significant portion of the absolute dollar increase was due to critical spending that was deferred pending additional financing, the Company does not anticipate increases of similar magnitude in these expenses in subsequent quarters.

Approximately $150,000 of the increase in general and administrative expenses was due to a substantial increase in expenses from the similar period in fiscal 1991 relating to the company's sales and marketing programs and personnel (i) to secure new retailer chains, (ii) to provide assistance in securing manufacturer participation at Ralphs and (iii) due to sales compensation on revenues from Kmart and Ralphs. Approximately $55,000 of the increase in general and administrative expenses was due to period amortization of financing fees relating to the Company's Series D Notes (see below). Approximately $30,000 was due to a reallocation of expenses from research and development (see below).

Research and development expenses decreased by approximately $24,000 during the third quarter of fiscal 1992 compared with the similar period in fiscal 1991 due to a reallocation of personnel and related expenses to the central operations group in general and administrative expenses.

The Company incurred $40,153 of interest expense during the third quarter of fiscal 1992 primarily as a consequence of the Company's Series D Notes.

Upon completion of the Company's Secondary Offering, the Company repaid all principal and interest outstanding with respect to the Series D Notes. In connection with the repayment of the notes, the Company expensed the $228,426 unamortized financing fees associated with the offering of the notes.

Nine-Month Period Ended February 29, 1992 Compared with 1991. Coupon distribution revenues for the nine months ended February 29, 1992 were [illegible], an increase of $746,792, or 150%, compared with the nine months ended February 28, 1991. The increase was due primarily to the commencement in the second quarter of fiscal 1992, after an initial pilot testing stage, of coupon distribution operation under the Company's new business strategy which, as stated above, has yielded substantially greater revenues per installed terminal than were achieved in fiscal 1991 under the Company's now discontinued southeastern program.

Compared with the year-ago period, costs and expenses during the first nine months of fiscal 1992 prior to any extraordinary expenses, expressed as a percentage of revenue, decreased sharply due, to a large extent, to improvements in revenue per installed terminal achieved since the Company implemented its new strategy.

Cost of coupon distribution, as a percentage of coupon distribution revenues, decreased substantially during the nine months ended February 29, 1992, as compared with the corresponding period in the prior year, reflecting the fact that, as stated above, under its new business strategy the Company does not pay fees to retailers, and there were fewer installed terminals during the fiscal 1992 period, particularly during the first quarter of fiscal 1992 when operations were limited to pilot programs with Kmart and Ralphs.

General and administrative expenses were relatively constant for the first nine months of fiscal 1992 as compared with the same period in fiscal 1991. However, as noted in the discussion above for the three months ended February 29, 1992, a portion of these expenses was due to critical spending that was deferred prior to obtaining financing and is not expected to recur.

The $64,886 reduction in research and development expenses during the first nine months of fiscal 1992, compared with the first nine months of fiscal 1991, reflects a reduction of research and development efforts and reallocation of personnel and related expenses to the central operations group in general and administrative expenses.

The Company incurred $147,542 of interest expense during the first nine months of fiscal 1992 primarily as a consequence of the short-term convertible subordinated debt incurred during that period.

Changes in Financial Position, Liquidity and Capital Resources

On January 9, 1992, a registration statement on Form S-1 was declared effective by the Securities and Exchange Commission for the Secondary Offering. Units, consisting of one and one-half shares of the Company's common stock and one redeemable warrant to purchase a share of common stock at an exercise price of $2.00 per share, were sold in this offering at $1.875 per unit on a firm underwritten basis. The sale of 3,000,000 units was completed in January 1992, and the overallotment option was exercised with respect to an additional 293,310 units in February 1992, for total gross proceeds to the Company of $6,174,956 before underwriter discount and expenses.

As of February 29, 1992, the Company's cash and cash equivalents had increased to $2,518,038 from $109,000 on May 31,1991, principally due to approximately $4,939,390 of proceeds from the Company's Secondary Offering net of discounts and commissions, partially offset by repayment of the Series D Notes, other expenses relating to the Secondary Offering and continuing negative cash flow from operations.

Accounts receivable increased to $378,984 as of February 29,1992, compared with $12,[illegible] as of May 31, 1991, as a result of contracts with retailers under the Company's new business strategy.

Coupon terminals and related equipment increased by $577,548 from May 31, 1991 to February 29, 1992, reflecting the addition of improved printers, paper holders and other equipment to the Company's existing terminals.

Deferred costs of $71,944 as of February 29, 1992 reflects the unamortized portion of a financial consulting agreement between the Company and the underwriter of its Secondary Offering. There was no comparable item as of May 31, 1991.

Accounts payable as of February 29, 1992 was $385,604, down $43,415 from the amount as of May 31,1991. The overall level of accounts payable, excepting $108,604 of unpaid expenses relating to the Company's Secondary Offering and its Series D Notes, is considered normal for the Company's level of business activity.

Unearned revenue of $74,520 as of February 29, 1992 represents amounts billed to retailers for the portion of each program cycle remaining to be performed at February 29, 1992.

The Company operates in a dynamic marketplace and competitive environment, and management believes that its recent selling efforts have been adversely impacted by uncertainty in the marketplace over the trending of advertising and promotional spending strategies and practices of both retailers and manufacturers. Management believes, although there can be no assurance, that as the direction of these strategies and practices becomes clearer, the Company's sales efforts can be more effective.

The Company's historical losses and working capital deficiencies raise substantial doubts about the Company's ability to continue as a going concern. See Note B to the Company's financial statements included herein. Management believes, although there can be no assurance, that the net proceeds from the Secondary Offering and cash generated from the Company's operations will be suffcient to sustain the Company's business at current levels and enable it to pursue its new business strategies in the near term; however, the long term viability of the Company depends upon the Company significantly expanding its operations on a profitable basis and obtaining financing on commercially acceptable terms.

The Company is required to implement, no later than the fiscal year ending May 31,1993, the new method of accounting for income taxes set forth in Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes", issued by the Financial Accounting Standards Board on December 30, 1987. Although the Company has not completed the analysis to estimate the impact of the new Statement, the adoption of FAS No. 96 is not expected to have an adverse impact on the Company's financial position.

Effect of Inflation and Changing Prices

The Company's limited operating history provides no experience with the impact of inflation on the conduct of its business. At present the Company does not have long-term commitments for the purchase of parts and subassemblies for its coupon terminals or long-term contracts for the use of its terminals, thereby subjecting the Company's costs and revenues to potential fluctuation due to general inflation or changes in the specific competitive environments in which the Company operates. Management cannot predict its general ability to pass along potential future operating cost increases to its customers.

PART II. OTHER INFORMATION

Item 6. Exhibits and reports on Form 8-K

(a) Exhibits required by Item 601 of Regulation S-K

(i) Exhibit No. 11--Computation of Earnings Per Share

(b) The Company did not file any reports on Form 8-K during the quarter to which this report relates.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TSS Ltd.

Date: April 13, 1992

By:

Michael A. Clark, President, Chief
Executive Officer and Director
(Principal Executive Officer and Principal
Financial Officer)

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	Page No. of Exhibit in Sequential Numbering System
11	Computation of earnings per share	21-23

EXHIBIT 11-- COMPUTATION OF EARNINGS PER SHARE

TSS Ltd.
(A Development Stage Enterprise)

	Three Months Ended	
	February 29, 1992	February 28, 1991
PRIMARY		
Weighted average common shares outstanding	18,082,958	8,708,178
Weighted average preferred shares outstanding		
Net effect of stock options and warrants (2) (3)		145,274
Total Weighted Average shares	18,082,958	8,853,452
Net loss	($985,338)	($838,248)
Net Loss Per Share	(.$05)	(.$09)
FULLY DILUTED (1)		
Weighted average common shares outstanding	18,082,959	8,708,178
Net effect of stock options and warrants (2) (3)		145,274
Net effect of assumed conversion of convertible subordinated promissory notes		3,111,667
Total Weighted Average shares	18,082,959	11,965,119
Net loss	($985,3138)	($838,248)
Adjustment to net loss: Interest effect of assumed conversion of notes		20,198
	(985,338)	(818,050)
Net Loss Per Share	($.05)	($.07)

EXHIBIT 11-- COMPUTATION OF EARNINGS PER SHARE (Continued)

TSS Ltd.
(A Development Stage Enterprise)

	Nine Months Ended	
	February 29, 1992	February 28, 1991
PRIMARY		
Weighted average common shares outstanding	15,790,782	8,708,178
Weighted average preferred shares outstanding		
Net effect of stock options and warrants (2) (4)		67,767
Net effect of assumed conversion of convertible subordinated promissory notes		
Net effect of assumed conversion of note payable to an officer and shareholder		
Total Weighted Average shares	15,790,782	8,775,945
Net loss	($2,210,868)	($2,941,495)
	(2,210,868)	(2,941,495)
Net Loss Per Share	($.14)	($.34)
FULLY DILUTED (1)		
Weighted average common shares outstanding	15,790,782	8,708,178
Weighted average preferred shares outstanding		
Net effect of stock options and warrants (2) (4)		67,767
Net effect of assumed conversion of convertible subordinated promissory notes		1,729,121
Net effect of assumed conversion of note payable to an officer and shareholder		
Total Weighted Average shares	15,790,782	10,505,066
Net loss	($2,210,868)	($2,941,495)
Adjustment to net loss: Interest effect of assumed conversion of notes		21,615
	(2,210,868)	(2,919,880)
Net Loss Per Share	($.14)	($.28)

(1) Fully diluted earnings per share were not presented on the face of the Statement of Operations because the resulting amounts were anti-dilutive.

(2) Based on the treasury stock method using the average market price for the periods ended February 28, 1991

(3) Excludes approximately 105,000 of anti-dilutive options and warrants for the three months ended February 28, 1991.

(4) Excludes approximately 48,000 of anti-dilutive options and warrants for the nine months ended February 28, 1991.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to ______

Commission File Number: 33-27121-NY

VISITEL NETWORK, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

13-3582986
(I.R.S. Employer Identification No.)

2850 East Flamingo Road, Suite D, Las Vegas, Nevada 89121
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (702) 735-1684

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Class	Outstanding at March 31, 1992
Common Stock, par value $.002 per share	6,517,796

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Visitel Network, Inc.

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PART I, Item 1.
Financial Information

VISITEL NETWORK, INC. AND SUBSIDIARY
CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS

	March 31, 1992 (UNAUDITED)	September 30, 1991
Current assets:		
Cash	$44,592	$1,418,859
Accounts receivable	41,189	14,318
Stock subecription receivable, 102,000 shares at $2.00 per share		204,000
Total current assets	85,781	1,637,177
Furniture, fixtures & equipment, net	1,295,441	975,614
Other assets:		
Rent deposits		450
Refundable deposits	11,338	3,292
Note receivable	3,000	3,000
Employee advances		4,000
Deferred registration costs	99,833	59,543
Total other assets	114,171	70,285
	$1,495,393	$2,683,076

The accompanying notes are an integral part of the financial statements.

VISITEL NETWORK, INC. AND SUBSIDIARY
CONSOLIDATED CONDENSED BALANCE SHEETS (CONTINUED)

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

	March 31, 1992 (UNAUDITED)	September 30, 1991
Current liabilities:		
Accounts payable	$342,139	$150,397
Accrued interest	45,775	26,053
Accrued expenses		24,261
Current portion of long-term debt	10,000	10,000
Total current liabilities	397,914	210,711
Long-term debt		500,000
	397,914	710,711
Minority interest		50,000
Shareholders' equity (deficiency):		
Preferred stock, series A, 10% cumulative, convertible, par value $2.00 per share 500,000 shares authorized, issued and outstanding at September 30, 1991	1,000,000	1,000,000
Common Stock, par value $.002 per share, 10,000,000 shares authorized; issued and outstanding 6,517,796 and 6,184,881 at March 31, 1992 and September 30, 1991 respectively.	13,036	12,166
The outstanding common shares at March 31, 1992 and September 30, 1991 have 2,385,000 redeemable class "B" warrants issued and outstanding to purchase 2,385,000 shares of common stock at $2.00 per share expiring February 1, 1994.		
Capital in excess of par	5,893,492	5,080,362

(Continued)

The accompanying notes are an integral part of the financial statements.

VISITEL NETWORK, INC. AND SUBSIDIARY
CONSOLIDATED CONDENSED BALANCE SHEETS (CONTINUED)

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY) CONT'D

	March 31, 1992 (UNAUDITED)	September 30, 1991
Common Stock subscribed, 104,000 shares at $2.00 per share at March 31, 1992 and September 30, 1991 respectively.	4,000	208,000
Accumulated deficit	(5,806,664)	(4,371,778)
	1,103,864	1,928,750
Less Stock subscription receivable	(4,000)	(4,000)
Less warrant proceeds receivable	(2,385)	(2,385)
	1,097,479	1,922,365
	$1,495,393	$2,683,076

The accompanying notes are an integral part of the financial statements.

VISITEL NETWORK, INC. AND SUBSIDIARY
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991

(UNAUDITED)

	1992	1991
Revenue:		
Sales	$79,981	$ 47,039
Costs and expenses:		
Production	(30,093)	9,125
Rents	112,932	31,947
Salaries, wages and employee benefits	331,950	217,440
General and administrative	207,182	120,767
Depreciation	108,511	36,207
Taxes and licenses	(1,319)	1,481
	729,163	416,967
Operating loss	649,182	369,928
Other (revenue) expense:		
Rental income	(10,831)	(1,200)
Interest income	(2,604)	(6,852)
Interest expense	7,222	21,463
	(6,213)	13,411
Net Loss	$642,969	$ 383,339
Net Loss per share	$ 0.10	$ 0.09
Weighted average number of common shares outstanding	6,479,275	4,442,045

The accompanying notes are an integral part of the financial statements.

VISITEL NETWORK, INC. AND SUBSIDIARY
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
SIX MONTHS ENDED MARCH 31, 1992 AND 1991

(UNAUDITED)

	1992	1991
Revenue		
Sales	186,130	59,634
Costs and expenses:		
Production	32,918	21,775
Rents	213,084	84,374
Salaries, wages, and employee benefits	628,459	398,967
General and administrative	588,860	265,290
Depreciation	171,384	51,919
Taxes and licenses	4,256	2,160
	1,638,961	824,485
Operating loss	1,452,831	764,851
Other (revenue) expenses:		
Rental income	(22,131)	(1,200)
Interest income	(15,536)	(6,852)
Interest expense	19,722	34,874
	(17,945)	26,822
Net loss	$1,434,886	$ 791,673
Net loss per share	$ 0.22	$ 0.18
Weighted average number of common shares outstanding	6,479,075	4,442,045

The accompanying notes are an integral part of the financial statements.

VISITEL NETWORK, INC. AND SUBSIDIARY
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED MARCH 31, 1992 AND 1991

(UNAUDITED)

	1992	1991
NET CASH USED IN OPERATING ACTIVITIES	$(1,147,056)	$(752,292)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(491,211)	(461,173)
Loan receivable		(3,000)
NET CASH USED IN INVESTING ACTIVITIES	(491,211)	(464,173)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt		255,800
Proceeds from issuance of preferred stock		1,000,000
Proceeds from issuance of common stock	264,000	850,000
Proceeds from issuance of subsidiary stock		50,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	264,000	2,155,800
NET INCREASE (DECREASE) IN CASH	(1,374,267)	939,335
CASH - BEGINNING OF PERIOD	1,418,859	115,822
CASH - END OF PERIOD	$44,592	$ 1,055,157

The accompanying notes are an integral of the financial statements.

VISITEL NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 1992 AND 1991

(UNAUDITED)

1. Summary of Significant Accounting Policies and Description of Business:

Basis of presentation:

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods.

The results of operations for the three month and six month periods ended March 31, 1992, are not necessarily indicative of the results to be expected for the full year. Moreover, these financial statements do not purport to contain complete disclosure in conformity with generally accepted accounting principles and should be read in conjunction with the Company's audited financial statements at, and for the fiscal year ended September 30, 1991.

History of Visitel Network, Inc. (f/k/a) Baccarat Capital Corp.:

Visitel Network, Inc., a nonoperating public blind pool, (the Company) was originally incorporated in the State of Delaware on October 31, 1988, as Baccarat Capital Corporation (Baccarat). Since its inception, Baccarat was primarily engaged in the procurement of capital and completed an initial public offering on June 28, 1989.

On May 11, 1990, Baccarat, through an exchange agreement, acquired a minimum of 80% of the outstanding shares of Visitel Network, Inc., a private Nevada Corporation, (VNI-Nevada) based in Las Vegas, Nevada. On May 23, 1990, Baccarat changed its name to Visitel Network, Inc. and effected a one-for-two reverse split of its common stock and proportionately adjusted the terms of the Company's class A warrants which expired in April 1991. The acquisition resulted in the VNI-Nevada Shareholders emerging with a larger portion of voting rights of the combined company (approximately 62% as of March 31, 1992). Accordingly, the transaction has been treated for accounting purposes as a reverse purchase acquisition and, as a result, the historical operations of VNI-Nevada became the results of operations of the combined company from the inception of the Company on October 31, 1988. The accounting is similar to the pooling-of-interest method.

1. Summary of Significant Accounting Policies and Description of Business:(Cont'd)

Principles of consolidation:

The consolidated financial statements include the accounts of the Company Visitel Network, Inc., a Nevada corporation (VNI-Nevada) and Visitel Network, Inc. - Orlando, a Florida corporation. Significant intercompany accounts and transactions have been eliminated. The Company operates in one business segment as described below.

Earnings per share:

The computation of earnings per share is based on the weighted average number of outstanding common shares. Common stock subscribed is treated as outstanding from the date subscribed. Outstanding class "B" warrants as well as convertible preferred stock are not considered in the computation because they are considered anti-dilutive.

Description of subsidiary business:

VNI-Nevada was incorporated in Nevada on June 21, 1988. Mr. Herb Kaufman and members of his family owned approximately 73% of the common stock of VNI-Nevada prior to the acquisition and at March 31, 1992, are the Company's principal shareholders at 42%. Since its inception VNI-Nevada has been engaged in the broadcast business. VNI-Nevada, dba Las Vegas Television, broadcasts 24 hour televised visitor information to rooms in several hotels in Las Vegas, Nevada, Tampa Bay and Orlando, Florida, Dallas and San Antonio, Texas, Louisville, Kentucky, San Francisco, San Diego and Anaheim, California. VNI-Nevada also controls the same type of broadcasting rights for 13 other cities in the United States, although those stations are not yet operational. The programming is transmitted via microwave to broadcast antennas for distribution to receiver antennas. VNI-Nevada installs and maintains the equipment in hotels free of charge. Revenues result from the sale of air time to advertisers. VNI-Nevada has the ability to sell continuous air time dedicated to special events.

2. Furniture, Fixture and Equipment:

Furniture, fixtures and equipment consists of the following:

	March 31 1992	September 30, 1991	Service Life (years)
Furniture, fixtures and equipment	$1,732,885	$1,241,674	5-7
Leasehold improvements	13,796	13,796	5-7
	1,746,681	1,255,470	
Accumulated Depreciation	451,240	297,856	
	$1,295,441	$975,614	

3. Long-term Debt:

	March 31, 1992	September 30, 1991
10% convertible notes payable dated September 5, 1990, due on or before September 30, 1995, interest payable semi-annually on March 30 and September 30 at 10%(1)		$500,000
Note payable, unsecured, due on demand	$10,000	10,000
	10,000	510,000
	(10,000)	(10,000)
	$ -0-	$500,000

(1) The notes are convertible into common stock at the rate of one share of common stock for each $2.00 of principal amount of the note. Effective November 13, 1991, the Company has registered the shares issuable upon conversion. The Company will have the right to compel the holders of the notes to convert under certain conditions. As of March 31, 1992, all notes had been converted to common stock.

VISITEL NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
SIX MONTHS ENDED MARCH 31, 1992 AND 1991

(UNAUDITED)

4. Preferred stock:

On January 3, 1991, the Company amended its certificate of incorporation to authorize 500,000 shares of series A preferred stock, $2.00 par value. As more fully described in the series A preferred stock certificate, the holders of preferred stock will be entitled to cumulative preferential dividends at 10% if declared; preference to liquidation distributions; conversion to one common share for each series A preferred share; voting rights as if common stock; and the Company shall have the right to compel the holders to convert into common stock under certain conditions. The Company commenced a private offering to accredited investors of the 500,000 preferred shares on a "best efforts" basis at an offering price of $2.00 per preferred share. As of December 31, 1991, the 500,000 preferred shares had been sold for $1,000,000. As of December 31, 1991, demand has been made by the Company for conversion of the preferred shares. The preferred shares were tendered for conversion subsequent to December 31, 1991.

5. Common Stock and Capital in Excess of Par:

The Company completed an initial public offering on June 28, 1989, and sold 66,250 units at $4 per unit for gross proceeds of $265,000. Net proceeds amounted to $218,811 after offering costs of $46,189 were accrued and paid. In accordance with the terms of the offering, the Company issued 66,250 shares of Common Stock and 66,250 Class A warrants. The class A warrant entitles the holder to purchase one (1) share of common stock at $6 per share for a period of twelve months from April 28, 1989. During April 1990, the exercise period was extended one year to April 28, 1991. The Company registered an additional 150,000 shares and 150,000 warrants on behalf of insiders, thereby permitting these insiders to sell such units in the open market, from time to time, after the effective date of the registration statement and prior to the time the Prospectus contained therein was no longer current. The prospectus is no longer current. None of these warrants were exercised and they expired on April 28, 1991.

As a result of the May 11, 1990 exchange agreement, the Company has acquired as of March 31, 1992, 100% of VNI-Nevada outstanding shares. The agreement provided for the issuance of up to 3,904,250 of the Company's shares for 100% of VNI-Nevada's 1,775 shares. In addition, 70 shares of VNI-Nevada sold subsequent to the agreement have been exchanged for Company shares at the exchange rate called for in the agreement.

5. Common Stock and Capital in Excess of Par: (Cont'd)

On May 23, 1990, the Company effected a one-for-two reverse split of its common stock and proportionately adjusted the terms of the Company's class A warrants.

6. Common Stock Warrants Outstanding:

On March 20, 1991 , the Company approved 2,145,000 class "B" warrants. The terms of the warrant entitles the holder to purchase one (1) share of common stock at $2.00 per share for a period ending on February 1, 1994. 1,350,000 warrants are held by affiliates and family members. An additional 230,000 class "B" warrants were issued in July 1991 making the total class "B" warrants 2,375,000.

7. Stock Subscriptions Receivable:

As of March 31, 1992, the Company had outstanding common stock subscriptions receivable of $4,000 relating to subscriptions of 2,000 shares of common stock at a subscription price of $2.00 per share. For purposes of loss per common share computations, the stock relating to the subscriptions is treated as outstanding from the date of subscription.

8. Lease Commitments and Contingencies:

VNI-Nevada leased its office in Las Vegas, Nevada which is also the Company's corporate office at an annual rate of $40,800 plus utilities, taxes and insurance through September 30, 1993.

Future minimum lease payments required under non-cancelable operating leases for broadcasting antenna sites, broadcasting right leases and office space in various cities are as follows:

8. Lease Commitments and Contingencies (continued):

Year Ending September 30,	
1992	$ 242,286
1993	154,988
1994	82,610
1995	65,936
1996	29,170
Thereafter	45,240
	$ 620,230

Rent expense was $213,084 and $84,374 for the six months ended March 31, 1992 and 1991, respectively.

In September 1991, the Company entered into a sub-lease for it's Louisville, Kentucky transmission site and equipment for a nine year term beginning September 1, 1991. The lessee is required to pay the Company's monthly rent charged by the original lessor through the term of the initial lease. As additional consideration for the lease, the lessee is to pay $24,500 in several payments beginning October 5, 1991 through January 5, 1992. Aggregate future minimum rentals to be received under this arrangement are $114,355 as of March 31, 1992.

The title to all equipment leased under this agreement remains with the Company. The cost and associated accumulated depreciation of the equipment included in furniture, fixtures and equipment of the Company at March 31, 1992 is as follows:

Cost	$52,741
Accumulated Depreciation	(11,979)
	$40,762

9. Subsequent Events:

Subsequent to March 31, 1992, the Company received $710,000 from an investor in the Company. As of the date hereof, however, the nature of the investment (debt or equity) is yet to be determined.

PART I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

During the second quarter of fiscal 1992 (the three months ended March 31, 1992), the Company had sales of $79,981 as compared to $47,039 for the second quarter of fiscal 1991. During the six months ended March 31, 1992, the Company had sales of $186,130 as compared to $59,634 for the six month period ending March 31, 1991. Sales for April and May 1992 have significantly increased. The increase of $32,942 and $126,496 for the three and six months periods respectively represents the effect of renewed emphasis on sales during the current year as more sites became operational. The primary reason for the sales increase was attributable to the expansion of the network.

The company does not begin to receive advertising revenues until it commences broadcast operations in a given city. In the company's experience, advertising commitments do not begin until about 45 days after the commencement date. Generally, the Company commences broadcast operations before it has completed developing its viewer base (hotel/motel installations) in a given market. As the Company nears completion of the development of its viewer base in a given market, its primary efforts shift to procuring advertising. As of the date hereof, the Company has virtually completed viewer base development in Las Vegas,Orlando, Louisville,San Francisco,San Antonio,San Diego, and Orange County. With the hiring of a National Sales Director and a National Sales Meeting to kick off the sales effort in late March, sales have tripled over the past two months. As a result, management believes that revenues from these markets will continue to increase significantly, along with the overall national advertiser sales campaign. The Company's stations in Tampa Bay and Dallas, are currently broadcasting and are in the process of completing the viewer base. Management anticipates that the viewer base development in these markets should be completed early in the third quarter of 1992.

Management believes that it is capable of maintaining a competitive position within its advertising market because its medium, television broadcasting, is more current than other forms of advertising and less expensive and more focused than advertising on the major television networks. Trends in advertising fluctuate with the economy. Management believes that the attraction of "concept advertising" has increased and that advertisers are interested in high frequency and targeted demographics.

Local cyclical trends in those cities where the Company operates or plans to operate could have an effect on the local advertising revenue of the Company; however, management believes that, with the Company's geographic dispersion across the United States, local cyclical effects will offset each other. Notwithstanding the foregoing, the national economic recession is causing a reduction in advertising dollars.

The Company's costs and expenses during the second quarter of fiscal 1992 increased compared to the second quarter of fiscal 1991. The Company also had increased costs and expenses for the six months ended March 31, 1992 as compared to the six months ended March 31, 1991. The rise is due to a significant increase in activity, including the cost of operating in Las Vegas, Tampa Bay, Orlando, Dallas, San Antonio, Louisville, San Diego, And San Francisco; and costs related to new stations in Anaheim and Los Angeles, California. Costs of installation and other non-recurring expenditures (including capital expenditures such as equipment) were approximately $ 250,000 during the second quarter of fiscal 1992. The increase in the costs and expenses was primarily due to $ 114,500 and $ 229,492 increases in salaries and benefits from hiring additional staff and additional compensation to key employees and officers. For the three and six months ended March 31, 1992, respectively general and administrative expenses increased by $ 86,400 and $ 323,570 over the three and six months ended March 31, 1991, respectively due to increased corporate expenses, professional fees and growth in the Company's operations. Management is unaware of any trends or events that could affect expenses over the next fiscal year. Salaries and wages and general operating expenses should remain constant in markets currently developed. The cost for individual equipment has been maintained at the same level over the past year and there is no indication of a rise in equipment costs due to inflation or otherwise. Management believes that costs and expenses will decline by the fourth quarter of fiscal 1992 due to the fact that the capital outlay for equipment to complete building the viewer base will be finished.

The primary costs of operating sites in a city are equipment purchase, installation and maintenance, equipment rentals, salaries for support staff and operating expenses, including rent, utilities, commissions, mileage, distribution fees, travel and other sales office expenses.

Liquidity and Capital Resources

The Company has emphasized the development of its "network" and did not concentrate on sales and marketing until recent quarters. As a result, the Company sustained net losses for the three years ended September 30, 1991, 1990 and 1989, of $2,275,551, $966,406 and $590,715, respectively, and has sustained a net loss for the six months ended March 31, 1992 of $1,434,886. With stations in nine cities now operating, management believes that they have sufficiently developed a network to attract local, regional and national sales. As noted above, advertising sales have significantly and progressively increased in March of 1992. At present, management plans to concentrate primarily on the nine city network. The focus being to establish a profitable network of nine cities before continuing expansion of the proposed twenty one station network. Notwithstanding the foregoing if the Company is able to obtain sufficient outside funding, sufficient excess revenues from its current nine city network and or the Company obtains an opportunity to enter a new city at nominal initial costs(i.e. through an arrangement with a local cable company) the Company will continue to build and expand the network.

At March 31, 1992, the Company had $44,592 in cash and cash equivalents as compared to $1,418,859 at September 30, 1991. This decrease is due primarily to the net loss for the six months ended March 31, 1992.

Management estimates that the completion of the remaining twelve cities in the twenty-one station network will cost approximately $3,500,000. Station construction is initially capital intensive, but once a station is complete, maintenance and operating costs are estimated to range from $8,000 to $10,000 per month per station. Management estimates that it takes between five and six months and costs between $195,000 and $365,000 to prepare a city for broadcast operations. If less than all of the Warrants are exercised, the time frame for completing the network would be dependent on the amount of future advertising revenues and additional financing actually received.

The Company establishes a station by broadcasting on its own frequency or by using an existing cable television hook-up. The first approach utilizes a transmitter/antenna signal and represents the higher of the two in systems installations costs. This method is envisioned in the estimated cost used by the Company. The use of cable television involves paying rent to a cable company for utilization of its cable lines into hotel rooms. Although the use of existing cable lines is initially less expensive, the arrangement depends upon obtaining and maintaining lease agreements with the cable company which currently costs approximately $3,000 per month per site. The company is currently broadcasting on its own frequencies in Las Vegas, Orlando, Tampa Bay, Dallas, San Antonio, Louisville, San Diego and Anaheim and is presently leasing cable lines in San Francisco. Management does not believe that there are any limitations to the Company's network growth from either of the two methods.

Management believes it has sufficient capital resources in cash to fund the present network operations on an on-going basis for the next year. The Company has exercised its rights to compel the holders of the Convertible Notes to convert into Common Stock Shares and the Notes have been converted as of March 31, 1992. The conversion of the Notes has significantly reduce the Company's long-term debt. Management believes that if necessary, the

Company could obtain debt financing to further develop and expand its network. As noted previously, subsequent to March 31, 1992, the Company received $710,000 from an investor. Those funds should be adequate enough to support operations through the remainder of the fiscal 1992.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a vote of Security Holders

None; however, a special meeting of stockholders will be held on May 28, 1992. See the definitive proxy materials filed with the Securities and Exchange Commission on or about May 11, 1992.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

None

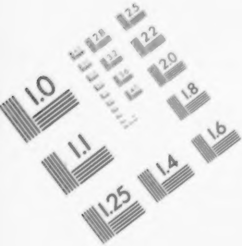
SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registration has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VISITEL NETWORK, INC.

Dated: May 19, 1992

John Adams, Treasurer and
Chief Financial Officer



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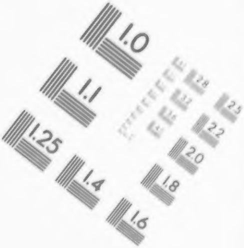

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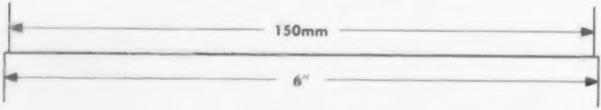

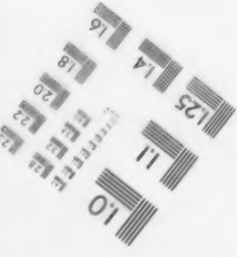

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